



RESOURCE CAPITAL RESEARCH

Tin and Tungsten Company Review Exploration, Development & Production

June Quarter 2009



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**Tin and Tungsten Company Review
June Quarter 2009**

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[This is the Abridged Report version of the March Quarter RCR Tin Company Review. The purchase price of the Comprehensive Report (56 pages) is A\$2,200. Sections in brackets above are included in the Comprehensive Report. Purchase includes the March Quarter 2009 Gold and Uranium Sector Reviews. There is also a Subscriber Report version which is available for A\$110. Contents and purchase details can be found at www.rcresearch.com.au]

Tin: Overview and Investment Comment

Tin Price Performance

Tin prices are volatile but have found support above ~US\$11,000/t.

The LME tin price is currently US\$13,830/t (US\$6.27/lb), up 38% from the Mar '09 low of US\$9,995/t but down 46% from the May '08 LME high of US\$25,495/t (US\$11.26/lb). The tin market entered backwardation in late December 2008, returned to contango in January 2009, and is now again in backwardation, with the LME 3 month forward price currently US\$13,650/t. LME stocks touched ~4.5 year lows of 3010t in Nov '08 but have rebounded to 14,350t. The tin price have fallen 7.3% in the same period.

RCR anticipates that tin will trade in the US\$9k/t-US\$15k/t range in 2009, with an average price of US\$12,750/t.

RCR maintains its previous (February 2009) forecast: the price of tin should trade between US\$9,000/t - US\$15,000/t through 2009. Our forecast average price for 2009 is US\$12,750/t, a 50% retrace from the May 2008 high of US\$25,000/t. Our long term price forecast is US\$15,000/t. These forecasts are contingent on a stable US\$ and reflect the potential effects of economic stimulus packages, as well as the difficulty of re-establishing supplies when demand increases.

The Tin Market

Global demand for refined tin was ~350kt in 2008, a 3.5% decrease from 2007.

Global demand for tin has fallen rapidly, to an estimated 350kt in 2008, from 363.1kt in 2007 (down 3.5%; source, ITRI), with much of the decline occurring in 4Q08. Suppliers responded quickly by cutting production, with some smelters in China and Indonesia closing through December 2008 and January 2009. Global consumption in January and February 2009 declined 30%, compared with the same period in 2008. ITRI expects global usage of ~300kt in 2009.

Production could be in surplus in 2009 by 5-10kt Sn. (ITRI).

Total mine production in 2008 is estimated to be ~333kt tin, an increase on 2007 (320kt, USGS estimates) although these figures await further confirmation. Production could be in surplus in 2009 by 5-10kt Sn (ITRI). The world's largest producer and consumer of tin is China (2007 consumption 131.5kt tin, production 135kt tin).

Tin Sector Equity Performance

Tin explorers and producers have suffered due to the financial crisis but recent equity performances have been strong.

Share prices of 15 tin companies (this report) have increased an average 127% over 12-month lows but are 65% below 12-month highs. Average one-month share-price performance is +13%, three-month is an impressive +46%, and 12-month is -59%.

Top performers include Adex Mining (TSX.V:ADE), which is 600% above its yearly low and improved 250% in the past three months; and Macquarie Harbour Mining (ASX:MHM), 200% above its low and up 114% over three months. Australia's largest tin producer, Metals X (ASX:MLX), reported a 61% increase in tin production in 1Q09 over 4Q08, earning a 31% share price rise in three months.

Upcoming events in the tin space could include funding for the large Hemerdon Ball Sn-W mine in Cornwall (ASX:WLF), capital raisings for Consolidated Tin (ASX:CSD) and Malachite Resources (ASX:MAR), and a complete production ramp-up of Renison Bell in TAS (ASX:MLX).

RCR June Quarter: Featured Tin Company Summary

AUSTRALIA

Company	Code	Comment
Consolidated Tin Mines Ltd	CSD	Advanced Exploration CSD's recent 60% resource upgrade of its skarn-hosted Sn-Fe-F deposits at Mt Garnet lifted tin resources to 38.3kt, strong exploration upside. Potential near-term alluvial production, plans for 5,000tpa Sn hard rock production, 8-10yr mine life.
Malachite Resources Ltd	MAR	Advanced Exploration MAR could achieve near-term, low-cost cash flow at the Elsmore Tin Project (NSW), with potential for 500-800t/yr Sn - bulk sampling results expected 1Q09. High-grade resources at Conrad (NSW) increased 150% to 6.2moz AgEq; total 19.2moz AgEq.
Metals X Ltd	MLX	Production MLX increased tin output by 62% in 1Q09 at the Renison Project (TAS) - Full production expected to be 8kt/yr Sn, cash cost ~A\$10,000/t. The Wingellina nickel laterite (WA; 183.2mt @ 0.98% Ni, 0.76% Co) has a positive PFS - needs capex US\$1.9b to proceed.
North Queensland Metals Ltd	NQM	Production NQM's cashflow from the 60kozpa Pajingo (QLD) gold operation (NQM 60%) will be applied to grow NQM's Drummond Basin gold production (target 150kozpa in 5 years), plus a continued A\$2mpa exploration focus on the large inventory of Herberton district tin prospects.
Venture Minerals Ltd	VMS	Scoping Study VMS is drilling at Stanley River (TAS), with an Exploration Target of 8-14mt DSO (iron ore). The Mt Lindsay Project has Australia's third-largest resource of tin (49kt Sn @ 0.2%) - and fifth-largest of tungsten (14kt WO ₃). Scoping study expected mid-2009.

CANADA

Company	Code	Comment
Geodex Minerals Limited (C\$)	GXM	Pre Feasibility An updated scoping study of GXM's world scale Sisson Brook tungsten molybdenum deposit supports low opex, open cut mining. A PFS is expected in 4Q09. GXM will require >C\$300m capital to bring Sisson Brook to production in 2012.

Tungsten: Overview and Investment Comment

Prices of European tungsten concentrate were flat through 2008 ...

... but fell in Dec '08 – Jan '09, by 9%.

Chinese domestic prices are volatile, declining ~32.8% YoY for 1Q09.

We anticipate that tungsten concentrate will trade above US\$110/mtu in 2009, with an average price of US\$155/mtu

The world's largest consumer of tungsten is China, which used 31.6% of the 2007 total of 62.9kt.

Global 2008 mine production was ~54.6kt, of which China accounted for ~76%.

Tungsten explorers and producers have recovered by an average of 151% from yearly share price lows.

Tungsten Price Performance

The price for WO₃ concentrate (65% WO₃) in Europe is currently US\$150/mtu of WO₃, while the more refined APT (ammonium paratungstate) is US\$200/mtu and ferrotungsten is US\$24.5/kg (i.e US\$245/mtu). APT trades at a premium to concentrate – this averaged ~51% in 2008 (Europe) and is now 33%. Chinese prices are lower, in a slow market: APT for export is US\$186-190/mtu, and domestic material is US\$149-152/mtu; domestic concentrate is US\$128-135/mtu for 65% wolframite and US\$124-131/mtu for scheelite.

During 2008, concentrate traded in Europe at a constant monthly average of US\$165/mtu, falling through US\$160/mtu in Dec '08 to US\$150/mtu in Jan '09, a 9% drop. This is a minor fall compared with the ~50% declines experienced in the same period by base metals, which are openly traded and subject to speculators. However, the 1Q09 year-on-year decline for Chinese domestic tungsten concentrate was 32.8%, while APT fell 32% and ferrotungsten 24.2%.

RCR's forecast average price for WO₃ 65% concentrate (Europe) in 2009 is US\$155/mtu, similar to the 5-year average concentrate price of US\$154/mtu (USGS). Our concentrate price forecast through 2010-2011 is US\$180/mtu, and for APT is US\$240-270/mtu. These forecasts are contingent on a stable US\$ and reflect the potential effects of economic stimulus packages, as well as the difficulty of re-establishing supplies when demand increases.

The Tungsten Market

In terms of total consumption, China is the metal's prime consumer. Global consumption of tungsten in 2007 was 62,879t, of which China accounted for 31.6%, or 19.8kt. Its consumption of the metal has more than doubled over the last decade. From 1998 to end-2007, global consumption of tungsten grew at 5.8% per annum, with other significant consumers being the U.S., Western Europe and Japan.

Global tungsten metal production in 2008 is estimated at 54.6kt (USGS). China accounted for 76% of this, producing 41kt. It was followed by Russia (3.2ktpa), Canada (2.7ktpa) and Austria (1.2ktpa). There is a significant market in secondary or recycled tungsten, with 35% of US consumption in 2008 coming from scrap material (USGS).

Tungsten Sector Equity Performance

Share prices of 16 tungsten companies (this report) have increased an average 151% over 12-month lows but are 67% below 12-month highs. Average one-month share-price performance is +13%, three-month is an impressive +69%, and 12-month is -65%. Upcoming events for these companies could include construction of the >3,000t/yr WO₃ King Island mine in Bass Strait (ASX:KIS), a development deal over Icon's historic Mt Carbine project in QLD (ASX:III), a PFS for Sisson Brook in Canada (TSX:GXM), and further exploration results from the potentially high-grade Attunga project in NSW (ASX:PEX)

RCR June Quarter: Featured Tungsten Company Summary

AUSTRALIA

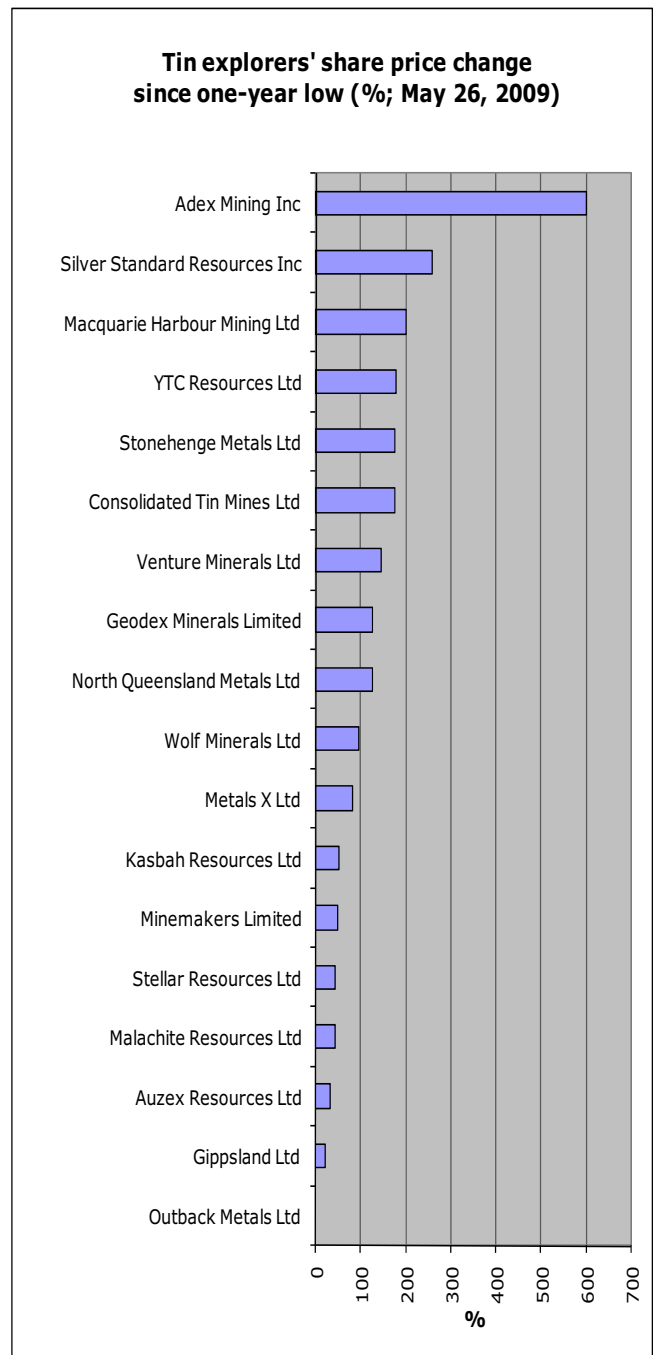
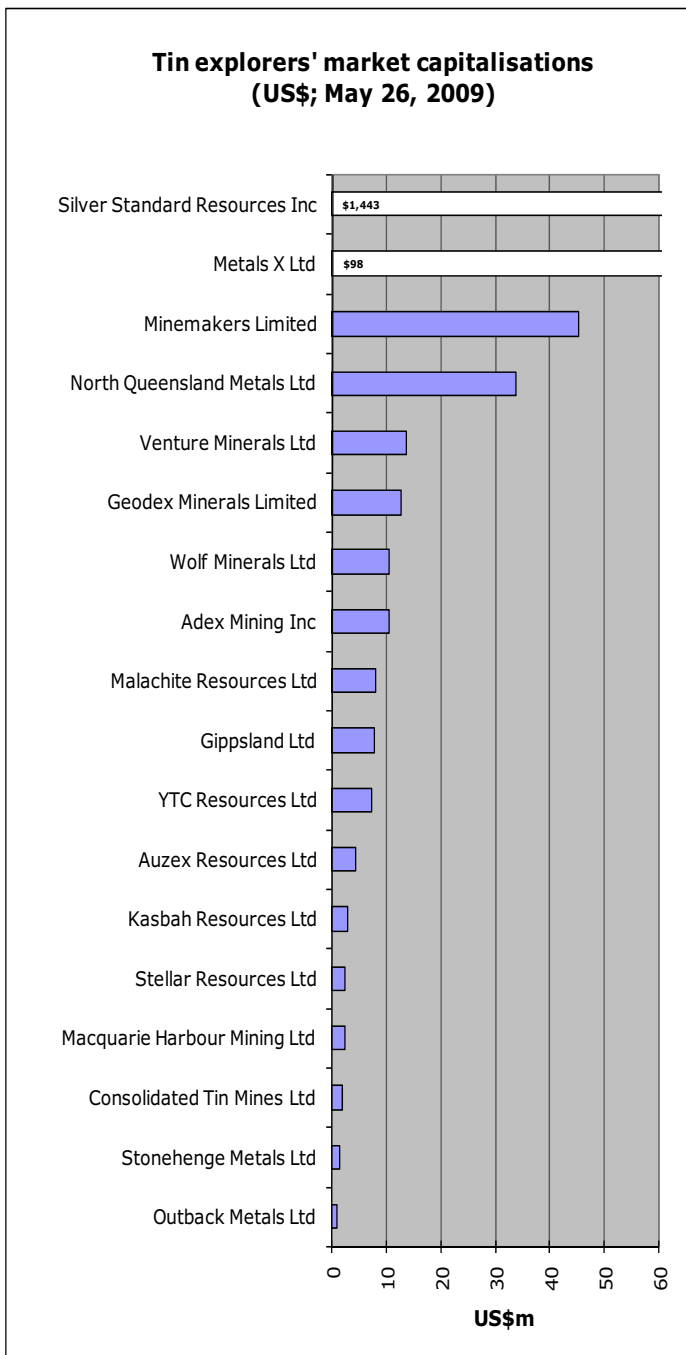
Company	Code	Comment
Icon Resources Ltd	III	Scoping Icon's strategy to develop the Mt Carbine tungsten project (QLD) is to re-treat the historic mine tailings while confirming the resource for a sustained open-cut operation – potential for >50% expansion of current hard rock 10.7mt @ 0.21% WO ₃ .
King Island Scheelite Ltd	KIS	Construction KIS is nearing construction of the 300,000 mtu/yr WO ₃ King Island tungsten project, with the backing of Hunan Nonferrous Metals Corp (HNC). Estimated capex A\$110m and opex A\$80-A\$100/mtu with scope for process refinement. Project NPV is A\$101m.
Peel Exploration Ltd	PEX	Advanced Exploration Peel is drilling at its historic Attunga tungsten-molybdenum deposit (1.29mt @ 0.61% WO ₃ and 0.05% Mo), after previous high-grade intercepts including 2m @ 24.2% W and 1.7% Mo. Growing exploration portfolio in NSW (Au, Ag, base metals).
Vital Metals Ltd	VML	Feasibility The Watershed W-Mo project (QLD) has been boosted by a new resource estimate (69.3kt WO ₃ @ 0.46%) and investment by Aragon Resources (49% Metals X). Opex details expected 3Q09 for >1.9kt/yr WO ₃ , capex A\$69m. Potential production 2010.
Wolf Minerals Ltd	WLF	Feasibility Wolf continues to seek short-term funding and a strategic partner to support its plan to mine the historic Hemerdon Ball W-Sn deposit from late 2010. Potential to produce 1mt/yr for >3000t/yr tungsten and 400t/yr tin, initial capex A\$160m.

CANADA

Company	Code	Comment
Geodex Minerals Ltd	GXM	Pre Feasibility An updated scoping study of GXM's world scale Sisson Brook tungsten molybdenum deposit supports low opex, open cut mining. A PFS is expected in 4Q09. GXM will require >C\$300m capital to bring Sisson Brook to production in 2012.

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Tin: Comparative Charts



Silver Standard (TSX:SSO, mkt cap US\$1443m) and Metals X (ASX:MLX) are diversified explorers with current or imminent production of tin (and for SSO, silver).

Of the companies studied, most have recovered some of their share price losses since 2008 lows. The average increase over 12-month low is 134%. For the same companies, the average fall from 12-month high is 68%. TSX listed explorers have regained the most (SSO, ADE), followed by ASX listed MHM and YTC.

Tin: Financial Data*

COMPANY	Code	Status ¹	Yr End	Exchanges	Type	Country	Listing	Exchange	Share Price (LC\$/share) ³				Fully Diluted Shares (m)	Market Cap (LC\$m) ³	Enterprise Value					
									52 week		Current	Shares (m)			Opt+W ² (m)	C. Notes ² (m)	Cash (LC\$m) ³	Debt (LC\$m) ³	Value (LC\$m) ³	(Undiluted) (LC\$m) ³
									Hi	Low										
26 May 2009																				
AUSTRALIA (A\$)																				
Auzex Resources Ltd	AZX	E	June	ASX				AZXO	1.15	0.12	0.16	37	14	0	52	6				
Consolidated Tin Mines Ltd	CSD	I	June	ASX				CSDO	0.17	0.02	0.06	46	36	0	82	3	13	0.0	3	3
Gippsland Ltd	GIP	I	June	ASX				AIM ⁽⁵⁾	0.12	0.03	0.03	328	92	0	420	10				
Kasbah Resources Ltd	KAS	E	June	ASX				No	0.24	0.03	0.05	89	20	15	124	4	3.2	0.0	6	4
Macquarie Harbour Mining Ltd	MHM	E	June	ASX				MHMO	0.13	0.02	0.06	55	32	0	87	3				
Malachite Resources Ltd	MAR	I	June	ASX				No	0.26	0.06	0.08	136	21	0	156	11	3.0	0.0	21	11
Metals X Ltd	MLX	P	June	ASX				MLXO	0.47	0.06	0.11	1888	37	0	1225	131	24.5	10.0	232	141
Minemakers Limited	MAK	E	June	ASX				No	2.20	0.37	0.55	110	16	0	126	60				
North Queensland Metals Ltd	NQM	P	June	ASX				No	0.39	0.14	0.31	148	1	0	149	45	4.4	0.0	36	45
Outback Metals Ltd	OUM	E	June	ASX				OUMO	0.27	0.04	0.04	37	135	0	172	1				
Stellar Resources Ltd	SRZ	E	June	ASX				No	0.32	0.03	0.04	85	2	0	87	3				
Stonehenge Metals Ltd	SHE	P	June	ASX				SHEO	0.23	0.01	0.04	56	31	0	88	2				
Venture Minerals Ltd	VMS	E	June	ASX				No	0.52	0.07	0.18	104	32	0	136	18	2.2	0.0	14	18
Wolf Minerals Ltd	WLF	I	June	ASX				No	136	0.27	0.53	27	3	0	29	14	0.4	0.0	5	14
YTC Resources Ltd	YTC	E	June	ASX				No	125	0.08	0.22	44	5	0	48	10				
Total: Australia																	39.0	10.0	318	235
OTHER																				
Adex Mining Inc (C\$)	ADE	E	Dec	TSX.V				No	0.39	0.02	0.14	88	6	0	94	12				
Geodex Minerals Limited (C\$)	GXM	E	Sep	TSX.V				DAX	0.78	0.08	0.17	88	13	0	101	15	0.7	0.0	22	15
Silver Standard Resources Inc (C\$)	SSO	P	Dec	TSX				NASDAQ	31.54	6.87	24.75	69	1	3	73	1698				
Van Dieman Mines PLC (GBP)	VDM	P	Dec					LSE	7.50	0.78	J/A N.A.	154	17	na	157	na				
Total: Other																	0.7	0.0	217	15
Total: (US\$) ⁴																	30	8	257	189

(1) P: Producer; E: Explorer; I: Imminent - includes companies with bankable feasibility studies and likely to be in production within 3 years; IHC: Investment Holding Company

(2) Fully Diluted (shares, options + warrants (opt. +w), convertible notes (Conv. N), other obligations)

(3) L.C. - Local Currency unit; Jun '09F (4) AUD/USD: 0.75; CAN/USD: 0.85

(5) Gippsland Ltd also on Deutsche Bourse: GIX

*Full data sets provided only for companies covered in this report

Tin: Company Statistics

COMPANY	Code	Land ('000 ha) ⁶	Drilling ('000 m)				(A) Exploration (LC.\$m) ⁷				(B) Corporate (LC.\$m) ⁷				(A)/(A+B) %			
			Mar-09	Jun-09	2009	2010	Mar-09	Jun-09	2009	2010	Mar-09	Jun-09	2009	2010	Jun-09	2009	2010	
			26 May 2009															
AUSTRALIA (A\$)																		
Auzex Resources Ltd	AZX																	
Consolidated Tin Mines Ltd	CSD	80	1.0	1.3	6.0	6.0	0.1	0.2	1.2	1.3	0.1	0.1	0.5	0.4	67	73	76	
Gippsland Ltd	GIP																	
Kasbah Resources Ltd	KAS	18	3.5	0.0	8.3	16.0	0.5	0.2	1.9	2.5	0.3	0.3	1.3	1.2	45	59	68	
Macquarie Harbour Mining Ltd	MHM																	
Malachite Resources Ltd	MAR	130	0.0	2.0	19.9	10.0	0.4	0.3	3.8	2.4	0.2	0.3	1.3	1.2	50	75	67	
Metals X Ltd	MLX	na	na	na	na	na	0.4	0.2	3.8	8.0	1.0	1.0	5.0	5.2	17	43	61	
Minemakers Limited	MAK																	
North Queensland Metals Ltd	NQM	151	3.0	3.0	13.1	14.0	0.3	0.8	2.3	3.2	0.8	0.8	3.3	3.0	52	42	52	
Outback Metals Ltd	OUM																	
Stellar Resources Ltd	SRZ																	
Stonehenge Metals Ltd	SHE																	
Venture Minerals Ltd	VMS	300	2.5	2.5	10.0	18.0	0.3	1.0	4.3	2.2	0.1	0.2	0.9	0.8	83	82	73	
Wolf Minerals Ltd	WLF	0	0.0	0.0	0.0	0.0	0.5	0.1	2.3	3.5	0.1	0.1	0.5	0.6	50	83	85	
YTC Resources Ltd	YTC																	
Total: Australia			10	9	57	64	2	3	20	23								
OTHER																		
Adex Mining Inc (C\$)	ADE																	
Geodex Minerals Limited (C\$)	GXM	32	0.0	2.0	6.0	5.0	1.0	0.6	7.6	3.1	0.2	0.2	0.8	0.8	75	91	79	
Silver Standard Resources Inc (C\$)	SSO																	
Van Dieman Mines PLC (GBP)	VDM																	
Total: Global (US\$)							3	3	21	20								

Tin: Reserves, Resources and Historic Mineralisation

COMPANY	Code	Status ¹	Reserves (Equity) ²				Resources (Equity) ²				Historical/Mineralised Material (Equity) ²				Tin		Total - Gold Equivalent ³ (Moz)
			Tin kt	Mlb	Gold Moz	Other Moz ^A	Tin kt	Mlb	Gold Moz	Other Moz ^A	Tin kt	Mlb	Gold Moz	Other Moz ^A	(All Mineralisation) ¹ kt	Mlb	
26 May 2009																	
AUSTRALIA																	
Auzex Resources Ltd	AZX	E	0.0	0.0						0.0	0.0				0.0	0.0	0.0
Consolidated Tin Mines Ltd	CSD	I	0.0	0.0					14mt Fe	38.3	84.4				38.3	84.4	0.6
Gippsland Ltd	GIP	I	16.5	36.3						20.4	45.0			20.1	44.4	40.6	89.4
Kasbah Resources Ltd	KAS	E	0.0	0.0						52.0	114.6			52.0	114.6	0.7	
Macquarie Harbour Mining Ltd	MHM	E	0.0	0.0						0.0	0.0			0.0	0.0	0.0	
Malachite Resources Ltd	MAR	I	0.0	0.0						19.2	42.2		19.2 Ag _{Eq}	19.2	42.2	0.3	
Metals X Ltd	MLX	P	110.4	243.3						195.9	431.9		46kt Cu	195.9	431.9	2.8	
Minemakers Limited	MAK	E	0.0	0.0						0.0	0.0		40.5mt P ₂ O ₅	0.0	0.0	0.0	
North Queensland Metals Ltd	NQM	P	6.6	14.6	0.10					0.0	0.0	0.23		0.0	0.0	0.0	
Outback Metals Ltd	OUM	E	0.0	0.0						0.0	0.0		26.4	58.3	26.4	58.3	
Stellar Resources Ltd	SRZ	E	0.0	0.0						0.0	0.0		96.3	212.4	96.3	212.4	
Stonehenge Metals Ltd	SHE	P	0.0	0.0						2.9	6.3		incl. 1Ag	2.9	6.3	0.0	
Venture Minerals Ltd	VMS	E	0.0	0.0						49.0	108.0		6.6mt Fe	49.0	108.0	0.7	
Wolf Minerals Ltd	WLF	I	22.8	50.3					136.9kt WO ₃	22.4	49.4		214.3kt WO ₃	22.4	49.4	0.3	
YTC Resources Ltd	YTC	E	0.0	0.0						22.3	49.2			22.3	49.2	0.3	
Average: Australia																	
OTHER																	
Adex Mining Inc	ADE	E	0.0	0.0						0.0	0.0		46.7kt WO ₃	64.4	141.9	64.4	141.9
Geodex Minerals Limited	GXM	E	0.0	0.0						0.0	0.0		152kt WO ₃	0.0	0.0	0.0	
Silver Standard Resources Inc	SSO	P	86.9	191.5					195 Ag	26.9	59.3	5.56	1469 Ag	26.9	59.3	0.4	
Van Dieman Mines PLC	VDM	P	0.0	0.0						32.6	72.0			0.0	0.0	32.6	72.0
Average: Other																	
Total/Total Average			243	536						482	1062			207	457	689	1519.4

(1) P: Producer; E: Explorer; I: Imminent - includes companies with bankable feasibility studies and likely to be in production within 3 years; IHC: Investment Holding Company

(2) Reserves, resources and mineralised material published by the relevant company.

The applicable mineral resource codes are by country: Australian: JORC, Canadian: NI 43-101, South Africa: SAMREC

(3) For tin only. Assumes a tin price of US\$620/lb and a gold price of US\$950/oz

* Mineral resource estimates are inclusive of the mineral reserve. ^ Moz or as specified

Tin: Valuation and Performance Data

COMPANY	Code	P/Book (x)	P/Net Cash (x)	EV-Cash	EV-Cash	EV-Cash	Production Commencement Year	Share Price Performance (%)				Current Share Price						
				/Reserves US\$/lb	/Res+v+resources US\$/lb	/Total Sn US\$/lb		1 month	3 month	6 month	12 month	%off 12 month Hi	Lo					
26 May 2009																		
AUSTRALIA																		
Auzex Resources Ltd	AZX						na	na	na	na	na	86	33					
Consolidated Tin Mines Ltd	CSD	0.8	2.0	na	0.01	0.01	na	na	90	na	-58	67	175					
Gippsland Ltd	GIP			na			na	-22	-41	-54	-67	72	23					
Kasbah Resources Ltd	KAS	0.7	1.3	na	0.01	0.01	na	2	15	-2	-78	81	53					
Macquarie Harbour Mining Ltd	MHM			na			na	-25	114	33	-54	52	200					
Malachite Resources Ltd	MAR	0.5	3.6	na	0.14	0.14	na	-2	14	18	-61	69	43					
Metals X Ltd	MLX	0.6	9.1	0.36	0.20	0.20	2008	0	38	10	-76	77	83					
Minemakers Limited	MAK			na			na	1	39	5	-74	75	51					
North Queensland Metals Ltd	NQM	1.2	10.1	2.09	na	na	2007	27	22	87	-17	22	126					
Outback Metals Ltd	OUM						na	-40	na	na	na	86	0					
Stellar Resources Ltd	SRZ						na	-9	2	-16	-80	87	43					
Stonehenge Metals Ltd	SHE						1981	100	44	na	-84	84	177					
Venture Minerals Ltd	VMS	1.3	8.2	na	0.11	0.11	na	30	67	99	-58	66	146					
Wolf Minerals Ltd	WLF	2.6	37.1	0.20	0.21	0.21	na	26	66	-12	-63	61	96					
YTC Resources Ltd	YTC						na	47	42	120	-80	82	178					
Average: Australia													-	-	-	-	-	-
OTHER																		
Adex Mining Inc	ADE						na	65	250	180	-56	64	600					
Geodex Minerals Limited	GXM	0.7	20.2	na	na	na	na	3	31	48	-77	78	127					
Silver Standard Resources Inc	SSO						na	18	26	97	-18	22	260					
Van Dieman Mines PLC	VDM						na	na	na	na	na	na	na					
Average: Other													na	na	na	na	na	na
Total/Total Average				0.66	0.10	0.10		13	48	41	-59	65	127					

MLX.AU

Metals X Limited

A\$ 0.11

26 May 2009
 Tin, Nickel, Cobalt, (Phosphate)
 Australia (TAS, WA, SA, QLD)
 Production, Feasibility, Royalties
 Exchanges: ASX:MLX

MLX increased tin output by 62% in 1Q09 at the Renison Project (TAS) - full production expected to be 8kt/yr Sn, cash cost ~A\$10,000/t. The Wingellina nickel laterite (WA; 183.2mt @ 0.98% Ni, 0.76% Co) has a positive PFS - needs capex US\$1.9b to proceed.

Capital Profile

Share price (A\$)	0.11
52 week range (A\$/share)	0.06 to 0.47
Number of shares (m)	1188
Options and warrants (m)	37
Convertible notes (m)	0
Fully diluted (m)	1225
Market capitalisation (undiluted) (A\$m)	130.6
Debt (A\$m) - Jun 09F	10.0*
Enterprise value (A\$m)	140.7
Major shareholders: APAC Resources (17.6%), Board & Mgmt (16.0%), Jinchuan Group (14.8%), Guinness Peat Grp (7.6%), JP Morgan Nom Aust (6.1%)	
Avg monthly volume (m)	22
Cash (A\$m) - Jun 09F	24.5
Price/Cash (x)	5.3
Price/Book (x)	0.6
Listed company options:	MLXO

*Trade creditors (inc concentrate prepayments), leases, bonds; no currency loans

Investment Points

Focused on tin production at Renison Bell and Mt Bischoff mines (TAS) and feasibility at Wingellina nickel laterite (WA, SA). Australia's largest tin producer.

Renison Project - hard rock resource 6.8mt @ 1.6% Sn, ramp-up complete 2Q09, target 8kt-10kt/yr Sn at cash cost ~A\$10,000/t, current head grade 1.48% Sn.

Potential to expand Renison to 13kt/yr Sn via Rentals (tin tailings), resource of 18.2mt @ 0.42% Sn, capex A\$190m. Also, copper circuit ready to commission.

MLX exploration budget ~A\$5m in 2009; recent drill results include 21m @ 1.82% Sn (Mt Bischoff).

Wingellina nickel laterite - feasibility study (3Q08) approved 40kt/yr Ni at head grades 0.87%-1.33% Ni, significant byproduct credit from 3kt/yr cobalt.

Capital-intensive projects (Rentals initial A\$190m and Wingellina US\$1,882m) have been delayed, with more focus on low cost production and cash flow from Renison.



Production and Financial Forecasts

YEAR END: June	Mar-09a	Jun-09F	2008a	2009F	2010F
Tin Production (t)	2,500	2,500	na	6,500	10,000
Cash Costs (US\$/t Sn)	8,400	7,000	na	na	7,000
Exploration and Evaluation (A\$m)	0	0	3	4	8
Corporate (A\$m)	1.00	1.0	6.1	5.0	5.2
Exploration/(Expl.+ Corporate) (%)	31.0	16.7	34.1	43.4	60.6
Shares on issue (pr end) (m shares)	1,188	1,283	1,188	1,283	1,286
Drilling - RAB (m)	na	na	na	na	na
Drilling - Other/Diamond (m)	na	na	na	na	na
Land holding ('000 ha)*	na	na	na	na	na
Capital Raisings (A\$m)	0.0	4.0	0.0	4.0	1.9
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m)	13.6	24.5	53.8	24.5	51.2
Cash Backing (Ac/share)	1.1	1.9	4.5	1.9	4.0
Net Asset Backing (Ac/share)	18.4	18.1	19.6	18.1	21.7

Quarters stated on calendar year basis. Costs assume \$A/\$US = 0.7

Company Comment

Overview: MLX was formed in early '06 with the merger of Bluestone tin and Metals Exploration, and is Australia's largest producer of Sn (Renison Project). MLX diversified in FY08: it is developing nickel assets in WA/SA, and owns nickel royalties.

Renison Tin Project: Located in north-western Tasmania. Key assets are two historic mines (first production was in 19th C) in skarn-associated sulphide replacement orebodies: the underground **Renison Bell Mine** (restarted May '08) and the open cut **Mt Bischoff Mine** (Mar '08), which should complete ramp-up to full production in 2009. The project was commissioned in 2005 (capex >A\$50m) but closed in Oct '05 after a collapse in Sn prices to <US\$6,000/t; price stability at ~US\$14,000/t in '07 led to reopening. The **Renison Tin Concentrator** forecast full production is 8-10kt/yr Sn, recovery ~72% Sn. Production in 1Q09 at Renison Bell was 81.9kt @ 1.68% Sn, and at Mt Bischoff was 50.6kt @ 1.16% Sn. Head grade was 1.48% Sn, producing 1,439t of Sn metal in concentrates (54% Sn), up 62% from 4Q08. Cash costs at rate of 8kt/yr Sn are anticipated to be ~A\$10,000/t. The plant has a copper circuit (potential 1-1.5kt/yr Cu) which could be started if Cu prices recover - modules are being used as a low-grade tin circuit to boost recoveries. MLX is planning the **Renison Expansion Project ("Rentals")**, to re-treat historic tin tailings by fuming, at 4-5.5kt/yr Sn and 1.5-2.5kt/yr Cu, capex ~A\$190m, opex A\$7,000/t (1Q08). MLX anticipates funding difficulties in the current credit environment. **Exploration** at Renison: 1Q09 results include 10.9m @ 4.45% Sn from 145m depth.

Nickel Assets: Ni flagship is the 1,800km² **Central Musgrave Project**, including the 9km x 600m **Wingellina** nickel laterite. Wingellina has a JORC resource of 183.2mt @ 0.98% Ni and 0.76% Co, including a 165mt reserve. A feasibility study (Sep '08) proposed open-cut mining at low strip ratios, for 4.34mt/yr at 0.87%-1.33% Ni and up to 0.12% Co, nameplate 40kt/yr Ni and 3kt/yr Co, capex US\$1.88b, opex US\$8,520/t Ni before Co credit. MLX stated in Nov '08 that the project was economic but anticipated funding difficulties. MLX is seeking mining approvals. It has royalty income from **Mt Keith, Kambalda and Kingston** Ni projects - income was A\$0.81m, down from A\$0.85m in 4Q08 and A\$1.21m in 3Q08 due to declining nickel prices.

Investment Comment: MLX is still enjoying the benefit of A\$59.4m raised by a placement in mid FY08 - cash position Jun 09F could be ~A\$24m, compared to ~A\$10m in debt (concentrate prepayments, leases and bonds; no currency loans). Metals X Rentals and Wingellina Nickel have been delayed due to market conditions, allowing MLX to focus on reducing outlays and generating positive cashflow at Renison. Even at cash costs of ~A\$10k/t and without a copper credit, Renison in full production (2Q09) should be in profit, given current Sn prices of >A\$16.5k/t. MLX has investments in two WA-focused gold exploration companies: Westgold (29.6%; *Gold Mining Journal* Explorer of the Year, 2008) and Aragon (11.35%), which recently took a 13% interest in tungsten hopeful Vital Metals (ASX:VML). It also holds 75% of Agaton Phosphate (WA, phosphate sands).

Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian (JORC)

Tin, copper	Classification	Project	Ore	Sn	Cut Off	Sn	Cu	Sn Eqty
		Equity	Mt	%	%	kt	kt	kt
Reserves								
Renison Bell / Mt Bischoff	Proved, probable	100%	2.0	1.67	0.8/0.5	33.7		33.7
Rentails	Proved, probable	100%	18.2	0.42	0.0	76.6		76.6
Total						110.4	0.0	110.4
Resources								
Renison Bell	Meas, ind + inf	100%	4.4	2.01	0.0	88.3		88.3
Mt Bischoff	Meas, ind + inf	100%	2.5	0.94	0.0	23.3		23.3
Rentails	Meas, ind + inf	100%	18.2	0.42	0.0	76.6		76.6
Collingwood	Meas, ind + inf	100%	0.7	1.19	0.0	7.8		7.8
Total						195.9	46.3	195.9
Mineralised Material (est., non compliant with JORC)						0.0	0.0	0.0

MLX also has resources: Wingellina (m, i & i), 183.2mt @ 0.98% Ni, 0.76% Co and 47% Fe₂O₃

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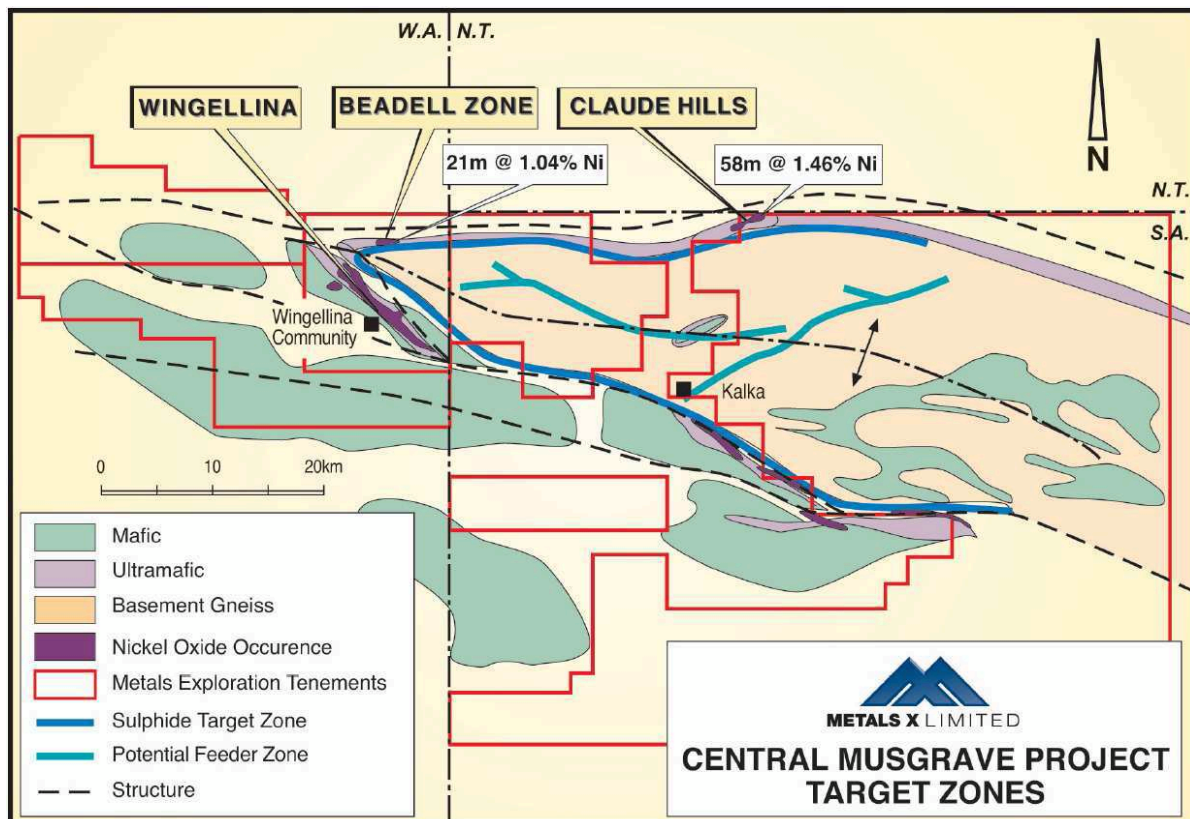
Key Projects

Project	Ownership/Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Renison / Mt Bischoff	100%	Sn (Cu)	none	Skarn	Gravfloat	Production	Aus (TAS)
Rentails	100%	Au, Cu	none	Tailings	Fuming	Feasibility	Aus (TAS)
Central Musgrave	100%	Ni, Co	none	Laterite	HPAL	Feasibility	Aus (WA,SA)

Renison Operation, 3 year production plan (MLX in Feb '08): with the tin spot price expected to remain above A\$15,000/t, the operation should be profitable at currently forecast full-production cash costs of ~A\$10,000/t. The copper circuit will not be commissioned until Cu metal prices recover.

	2008-2009f	2009-2010f	2010-2011f
Mine Production			
Renison	420 Kt @ 2.08% Sn	470 Kt @ 2.35% Sn	520 Kt @ 1.90% Sn
Mt Bischoff	320 Kt @ 1.16% Sn	2340 Kt @ 1.20% Sn	130 Kt @ 0.77% Sn
Tin Concentrator			
Tonnes & Grade	680 Kt @ 1.71 % Sn	680 Kt @ 2.00 % Sn	680 Kt @ 1.68% Sn
Tin Recovery	72%	76.50%	72%
Copper Recovery	75%	75%	75%
Tin Metal	8500 tonnes	10580 tonnes	8280 tonnes
Copper Metal	1200 tonnes	1500 tonnes	2000 tonnes
Cash Operating Cost/t Sn	A\$9300/t	A\$7400/t	A\$8500/t
Cash Operating Cost/t Sn (after Cu credit)	A\$8400/t	A\$6500/t	A\$7000/t

Wingellina Nickel Project – MLX is completing a feasibility study for a 4.34mt/yr nickel/cobalt laterite mine at grades of 0.87-1.33% Ni, but has announced that development will be delayed until nickel prices recover and/or credit markets ease - expected initial capex ~US\$1.9bn.



NQM.AU

North Queensland Metals Limited

A\$ 0.31

26 May 2009
Gold, Tin, Copper, Silver, Indium
Australia (QLD)
Production
Exchanges: ASX:NQM

NQM's cashflow from the 60kozpa Pajingo (QLD) gold operation (NQM 60%) will be applied to grow NQM's Drummond Basin gold production (target 150kozpa in 5 years), plus A\$2mpa exploration of its Herberton district tin prospects.

Capital Profile

Share price (A\$)	0.31
52 week range (A\$/share)	0.135 to 0.39
Number of shares (m)	147.2
Options and warrants (m)	1.3
Convertible notes (m)	0.0
Fully diluted (m)	148.4
Market capitalisation (undiluted) (A\$m)	44.9
Debt (A\$m) - Jun 09F	0.0
Enterprise value (A\$m)	44.9
Major shareholders: D Walker (27.2%), Newmont Capital Pty Ltd (10.3%) Drill Investments Pty Ltd (5.6%), Heemskirk Consolidated Ltd (4.5%)	
Avg monthly volume (m)	3
Cash (A\$m) - Jun 09F	4.4
Price/Cash (x)	10.1
Price/Book (x)	15.0
Listed company options:	No

Investment Points

NQM primary focus is to grow its gold production (current 36kozpa) to become a mid tier producer.

Focus is also being maintained on highly prospective tin/base metal exploration.

Multiple Herberton district Sn targets to be drilled based on former high grade mines.

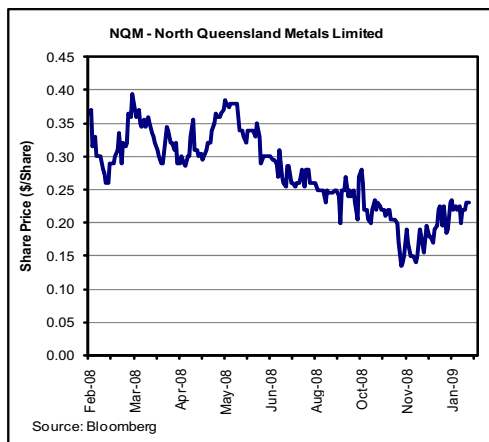
NQM is 60% owner of the Pajingo gold operation - epithermal gold system (2.3moz production to date).

Pajingo production ~60kozpa, reserves and resources 486koz (@7.5g/t), 5 year LOM, opex ~A\$620/oz.

Option on new QLD gold project (Dotswood) aimed at mining within 2 years, NQM production to ~100kozpa.

Pajingo cash flow (~A\$15mpa) will fund Dotswood drilling & FS, Pajingo Au and Herberton tin exploration.

6 month target A\$0.40 based on NPV, P/E (FY10) 3.3x.



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Production and Financial Forecasts

YEAR END: June	Mar-09a	Jun-09F	2008a	2009F	2010F
Gold Production - NQM equity (koz)	9.8	13.9	12.4	33.3	41.3
Cash Costs (A\$/oz)	725	665	673	639	578
Exploration & Development (A\$m)	0.27	0.80	4.00	2.34	3.20
Corporate (A\$m)	0.75	0.75	1.74	3.29	3.00
Shares on issue (pr end) (m shares)	147.2	147.2	144.6	147.2	147.2
Drilling - RAB (m)	0	0	0	6,000	0
Drilling - Other/Diamond (m)	3,000	3,000	2,000	7,100	14,000
Land holding ('000 ha)*	151	151	68	151	151
Tenement costs (\$k per year)	-	-	-	-	-
Capital Raisings (A\$m)	0.0	0.0	11.4	0.0	0.0
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m)	2.9	4.4	2.6	4.4	16.4
Cash backing (Ac/share)	2.0	3.0	1.8	3.0	11.2
Net asset backing (Ac/share)	22.9	24.6	23.2	24.6	35.3

*Tenements applied for or granted.

Company Comment

Overview: NQM was listed on the ASX in Dec '06. with a focus on tin/silver/indium deposits in N Qld. In early 2008 it joined the ranks of gold producer with the purchase of a 60% stake in the Pajingo mine.

Pajingo Gold Mine: The Pajingo mine is 53km S of Charters Towers in Central QLD. Initially an open cut, it has operated as an underground mine (ave. grades 11g/t) since 1996, yielding 2.3moz. NQM purchased a 60% stake from Newmont Australia in Dec '07 for A\$18m (cash and shares). The Pajingo ore body comprises a series of steeply dipping narrow epithermal quartz veins. Mining is by a series of declines extending over 4km strike length. Ore is processed through a 500ktpa CIP plant. Current reserves and resources are 2.01mt @ 7.5 g/t for 486 koz (21% in reserve category). NQM's ore throughput rate is 300 ktpa, aiming for sustainable 60koz - 80koz pa (36-48kozpa to NQM) from the current underground operations. Mine life is ~5 years on current resource base. NQM plans to replace resources and extend mine life through a drilling program on its 820km² Pajingo tenements. Drilling commenced in 2Q09 on untested targets. In 1Q09 Pajingo produced 11.7koz (opex A\$725/oz), which was reduced due to weather effects. Encouragingly, unit costs/tonne were down 18%. and a A\$2.2m pre tax profit was reported for the quarter. NQM reported a NPAT for 2H08 of A\$6.4m (after tax credits) and a maiden 1c dividend. NQM is now unhedged - all forward sales have been closed out.

Dotswood Gold Project Option: This is the first stage of a focused strategy aimed at becoming a mid tier 100-150kozpa producer within five years. NQM recently announced it had secured an option over 100% of the Dotswood Gold Project north of Charters Towers (80km by road). NQM describes Dotswood as an 'advanced' gold exploration project, having a history of modest gold production (open pit in 1986-1987, and high grade underground 2000-2004). The option period of 6 months will allow NQM to undertake resource definition drilling, establish an initial resource statement and undertake a scoping study on production - a low cost open pit operation producing free milling ore and possibly a gold concentrate is envisaged (concentrate would be trucked to the Pajingo mill for gold extraction). A BFS would then follow with initial mining targeted in late 2010. This project could potentially provide a doubling of gold produced from the 500ktpa Pajingo mill and see NQM as a >100kozpa producer within 2 years. NQM will pay the vendor a A\$0.22m option fee, then A\$1.9m in cash, 1 million NQM shares and a 1% LOM royalty (A\$2.5m cash/share value plus royalty) on exercise in 6 months.

Herberton Tin/Base Metal Project (100%): NQM has a large inventory of tin prospects in the Herberton district in N Qld, (70km SW of Cairns) which it is planning to increase focus on in 2009. NQM recently announced a doubling of Herberton exploration activity (~A\$2mpa) with a dedicated exploration team to identify targets. Generally the tin prospects are also prospective for base metals mineralisation. NQM's vision of a central processing plant at Herberton treating tin/base metal prospects within the tenements.

Investment Comment: NQM's primary focus is now on increasing equity gold production from the highly prospective Drummond Basin, which is likely to produce a further re-rating. Our NPV of Pajingo stake (5%DR, 60% resource conversion, long term Au price US\$850/oz) is A\$54m, plus Dotswood and Herberton tin/base metals gives a NAV of A\$0.47 per share. Prospective P/E for FY10 is 3.3x. **Our 6 month share price target is A\$0.40 if Dotswood delivers promising drilling results as expected.**

Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian: (JORC)

Gold	Classification	Project	Ore	Au	Cut Off	Au	Au	Au Eqty
Reserves		Equity	Mt	g/t	g/t	t	koz	koz
Pajingo	Proven & Probable	60%	0.5	5.90		3.2	102.0	61.2
Baal Gammon probable ore reserves 3.31mt @ 0.93% Cu, 0.20% Sn, 32.0g/t Ag, 29.3g/t In.								
Resources								
Pajingo	Indicated	60%	0.08	10.1		0.8	26.0	15.6
Pajingo	Inferred	60%	1.39	8.0		11.2	358.0	214.8
Total			1.48	8.1		12.0	384.0	230.4
Mineralised Material (est., non compliant with JORC)						0.0	0.0	0.0

Key Projects

Project	Ownership/Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Pajingo	60%	Au,Ag	Heemskirk	epithermal	CIP	Production	Aus(QLD)
Herberton	100%	Sn,Cu,Ag,In	na	volcanics	float	adv expl.	Aus(QLD)
Einasleigh	100%	Sn,Cu	na	volcanics	float	early expl.	Aus(QLD)
Dotswood	100%	Au	na	epithermal	na	mid expl.	Aus(QLD)

NORTH QUEENSLAND METALS LIMITED VALUATION

	Equity	Gold (moz)	Valuation US\$/oz	Target [^]	Valuation Sensitivity	
				Price A\$m	(Low) A\$m	(High) A\$m
Projects						
+ Pajingo Gold Project	60%	0.48	146	54	44	60
+ Baal Gammon Project	100%	(2% of gross in ground value - multi metal resource)		8	3	15
+ Herberton Regional Tin Expln	100%			5	2	10
+ Dotswood Gold Project Option				5	0	10
Sub Total				72	49	95
+ Cash (Est Jun '09)				4.4	4.4	4.4
+ Tax Losses				2.2	2.2	2.2
- Debt				0.0	0.0	0.0
- Forward Sales Discount				0.0	0.0	0.0
- Corporate				10.0	10.0	10.0
Sub Total				-3.4	-3.4	-3.4
NQM NET ASSET VALUE				68.6	45.4	91.6
Capital Structure						
Shares (m)				147.2	147.2	147.2
Fully Diluted Shares (m)				149.5	149.5	149.5
NQM NET ASSET VALUE PER SHARE	:A\$/share			0.47	0.31	0.62
NQM NET ASSET VALUE DILUTED	:A\$/share fully diluted			0.46	0.31	0.61

[^]Pajingo target price based on RCR long term gold price forecast of US\$850/ounce, A\$/US\$ = 0.78

PAJINGO GOLD PROJECT (NPV based on reserves +60% of current resource)

		Equity			Sensitivity		
LONG TERM GOLD PRICE [^]	:US\$/oz	600	700	800	900	1000	
LONG TERM EXCHANGE RATE	:AU\$/US\$	0.78	0.78	0.78	0.78	0.78	
PAJINGO GOLD PROJECT NPV @ 5% NOMINAL	:A\$m 60%	50	51	53	55	60	
PAJINGO GOLD NPV @ 5% NOMINAL	:US\$m 60%	39	40	41	43	47	
NPV/SHARE	:A\$/share	0.34	0.35	0.36	0.37	0.41	

[^]Gold price forecasts are US\$900/oz in calendar 2009, thence linear increase to long term price indicated, from 3Q 2012 on.

PAJINGO GOLD PROJECT KEY ASSUMPTIONS DERIVED FROM 2008 AND 2009 YTD OPERATING DATA

RESOURCE ESTIMATES			
Life of Mine Resource			
		Mt	Gold gt koz
Current reserve		0.50	5.90 102
Current resource		1.48	8.10 384
Total		1.98	7.89 486
Total LOM ore**		1.39	7.54 337
**Based on 60% conversion of current resources to reserves.			
MINING METHOD	Underground narrow vein mining		
PROCESS METHOD	Dedicated CIP Gold Plant (0.75 mtpa nominal capacity)		
PRODUCTION RATE	:mtpa	0.30	
	:kozpa	70	
CAPITAL COSTS (Based on A\$18m purchase of 60%)	:A\$m	30	Plus sustaining capex of 3%
RECOVERY - GOLD	:%	95	Based on current operations
OPERATING COSTS	:A\$/t	135	
	US\$/oz	415	
TAX	:%	30	
ROYALTY (QLD)	:%	2.7	
MINE LIFE	:Years	5	
CASH COST	:A\$/oz	620	

Tin: Price Fundamentals

Analyst: Dr Trent Allen

Sector outlook and tin price forecast

The short-term price outlook for tin remains unclear, as falling production struggles against diminishing demand.

The tin-specific fundamentals of supply and demand that existed prior to mid 2008 have been overwhelmed by the global economic downturn. The ongoing risks to the world economy make short term demand forecasts for tin very uncertain.

The LME tin price is currently US\$13,830/t (US\$6.27/lb) down 45.8% from the May '08 LME high of US\$25,495/t (US\$11.26/lb). The tin market entered backwardation in late December 2008, returned to contango in January 2009, and is now again in backwardation, with the LME 3 month forward price currently US\$13,650/t.

The marginal cost of tin production in 2008 was ~US\$15,000/t ...

A tin industry cost curve is hard to draw due to the difficulty in assembling sufficient and accurate cost data, especially for artisanal alluvial production. Based on 1Q09 production cutbacks we estimate that in 2008 the marginal cost of tin production for many 'swing' producers was around US\$15,000/t. December 2008 price drops to below US\$10,000/t threatened a significant proportion of global supply. However, mining costs have fallen due to the global economic slowdown, which has caused a decline in oil prices and eased shortages of skills and equipment. PT Timah's alluvial production costs for 1Q09 were reported to be US\$10,565/t.

... while very little tin can be produced for <US\$10,000/t.

The mid-2002 tin price low of ~US\$5,000/t (adjusted to December 2008 prices using US PPI [commodities]) is not expected to be repeated in the current market due to tighter controls on artisanal oversupply.

We anticipate that tin will trade in the US\$9k/t-US\$15k/t range in 2009, with an average price of US\$12,750/t.

RCR maintains its February 2009 forecast, based on a regression of the past 23 years of prices: tin should trade between US\$9,000/t - US\$15,000/t through 2009. Our forecast average price for 2009 is US\$12,750/t, a 50% retrace from the May 2008 high of US\$25,000/t. Our long term price forecast is US\$15,000/t, reflecting the potential effect of industry trends of increased tin consumption (mainly from solder as a replacement for lead) and an anticipated reduction in artisanal mining in Indonesia.

The main uncertainties to our price forecasts:

- Strength of the USD.
- Global aggregate demand and the medium-term effect of economic stimulus packages on commodity prices.
- Production levels, particularly from Indonesia (Indonesia contributed 32% of 2007 global tin mine production).

Some key tin market trends:

- Global demand for tin has fallen rapidly. It is estimated that global demand for refined tin decreased in 2008 to 350kt, from

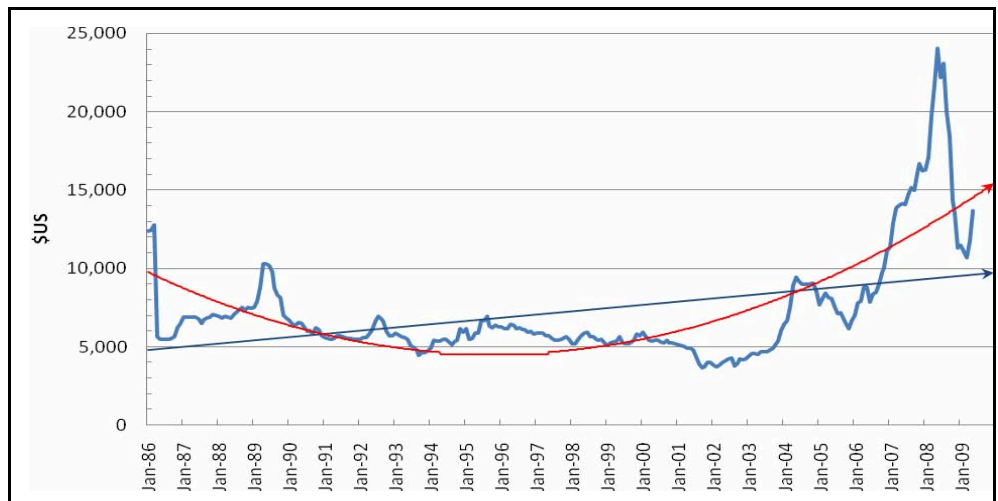
Global demand for refined tin was ~350kt in 2008, a 3.5% decrease from 2007 levels.

363.1kt in 2007 (down 3.5%, source: ITRI), with much of the decline occurring in 4Q08.

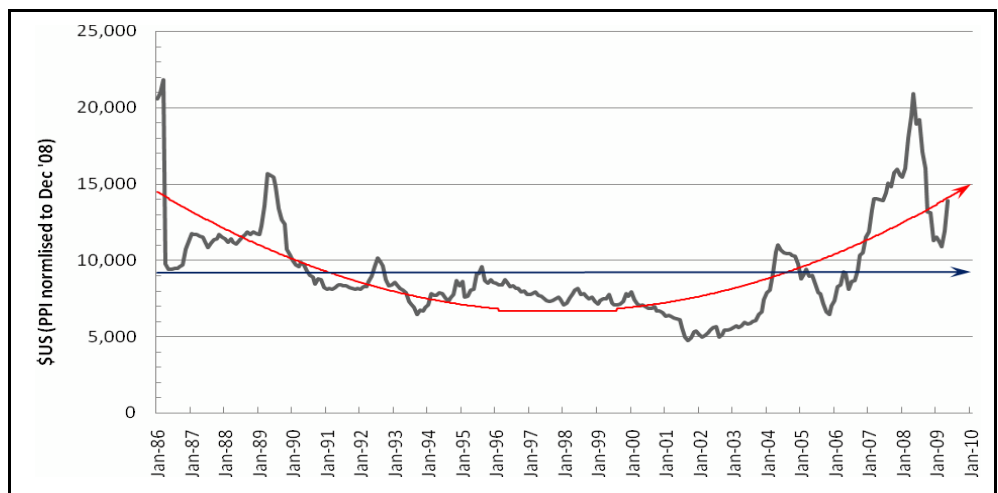
- Suppliers responded quickly with deep cuts in production, leading to price support in the range US\$10k/t-US\$12.5k/t in 4Q08 through 1Q09, although this was broken briefly in December 2008 (low ~US\$9,995/t). Mine production in 2008 was estimated by the USGS to be ~333kt Sn, an increase over 2007 (320kt).
- The credit crisis and risk aversion mean less funding for expansion of production, both upstream (exploration and mines) and downstream (industry and consumers).
- Many projects are on hold and cash-poor or highly leveraged companies are increasingly threatened with insolvency.
- Falling exchange rates in commodity-based economies have helped support local tin prices.
- LME stocks touched ~4.5 year lows of 3010t in Nov '08 but have rebounded to 14,350t. Prices have fallen 7.3% in the same period. The current level is the highest since Aug '07, when prices were 7.0% higher.

LME monthly average prices for tin: US\$/t, range Jan '86 to May '09, spot price (top) and PPI normalised (below).

After the collapse of the International Tin Council in 1985, nominal tin prices trended "sideways" through a period of low-cost production, e.g. from alluvial mines in Indonesia. Prices spiked in 2006-08 but fell from March 2008 as the credit crisis took hold.



When adjusted to December 2008 prices, the long term linear trend since mid 1986 is for US\$9,000/t. A polynomial regression extrapolates to a 12-month target of ~US\$15,000/t. This better reflects increasing global tin use, e.g. instead of lead in solder.



Source: UN, Metal News, FerroAlloy.net, RCR

Main uses and demand

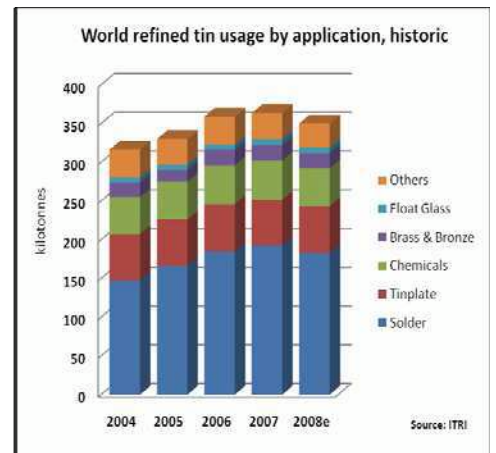
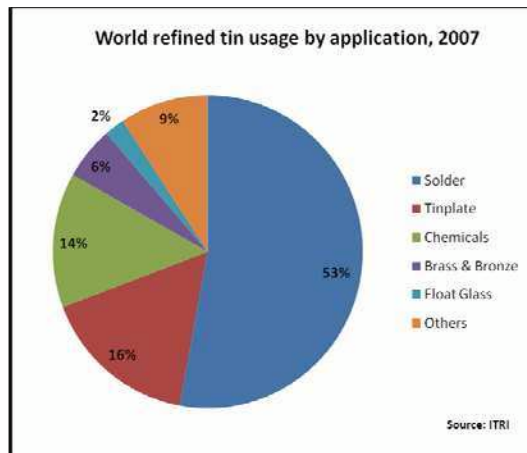
Tin's unique properties lend it to applications such as:

- Solder, e.g. for joining pipes or automotive sheetmetal, electronic circuits.
- Tinplate coatings for lead, zinc and steel to prevent corrosion, e.g. in cans and containers.
- Other industrial applications, e.g. various chemicals and glassmaking.
- Alloying, e.g. with copper to create bronze.

In particular, tin is increasingly used as a substitute for lead in solders, due to its low toxicity.

The main application for tin is solder, which represented 53% of consumption in 2007, up from 52% in 2006 and 45% in 2004.

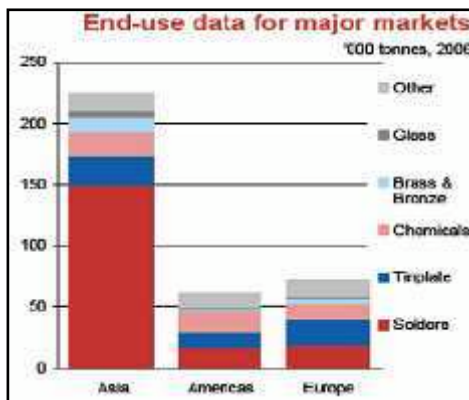
Urbanisation should drive long-term internal consumption in the biggest consumers of tin, i.e. Asian countries.



Source: ITRI.

In 2007, world total consumption of refined tin was 363.1kt (up from 359kt in 2006), of which Asia consumed ~64%. Total 2007 tin use in all forms was 450kt. The majority of this (53%) was used for solder. China's share of consumption was 131.5kt (36%), and it was probably close to being a net importer (production 135kt Sn in 2007). Shortfalls between consumption and mine supply were met by secondary sources such as recycling (e.g. ~18% of U.S. consumption in 2008; USGS) and the sale of US strategic stockpile (now largely exhausted and with sales halted). Refined tin consumption for 2008 was estimated to be ~350kt (ITRI, December 2008).

Estimated 2008 refined Sn consumption was 350kt, a 3.6% fall from 2007.



Source: ITRI and Metals X.

In the last decade, increasing demand for tin has been driven by China.

Mine production and reserves

Falls in production due to the financial crisis, as well as pre-existing supply problems, suggest a 2009 production forecast of 305kt Sn, a 6.5% drop from 2008.

In early '09, global tin reserves represented 16.8 years' production.

The main producers are in Asia - namely China and Indonesia, which have increased combined output by 300% in 20 years.

According to the USGS, global tin production in 2008 was ~333kt (February 2009), a ~4% year-on-year increase over the 320kt produced in 2007. Most of the estimated increase came from the largest producer, China (2007, 135kt; 2008, 150kt). However, data from China's National Bureau of Statistics showed that Chinese annual production fell by 11.1%, from 145.7kt in 2007 to 129.5kt in 2008. Such conflicting data are typical of the uncertainty in commodity markets. Global tin production certainly fell significantly in January 2009 due to temporary shutdowns of smelters, especially in China and Indonesia, although it is hard to quantify by how much. We forecast 2009 mine production could be ~305kt Sn, based on the 2008 USGS estimate figures and a theoretical loss of 1 month's global production.

In 2007, China and Indonesia accounted for 72% of global mine production, up from 25% in 1988. The other major producing countries are in Central and South America (Bolivia, Brazil and Peru; combined ~33% in 2007). Production has been focused in these countries because of the large scale of tin deposits and due to relatively low operating costs (e.g. labour). The top-two companies are Yunnan Tin (China, 61.1kt Sn in 2007) and PT Timah (Indonesia, 57.6kt Sn in 2007). USGS estimates (Feb '09) that the global tin "reserve base" is 11mt and "reserves" (i.e. mineable) are 5.6mt Sn or ~16.8 years' production.

	Mine production		Reserves ³	Reserve base ³
	2007	2008 ^e		
United States	—	—	—	40,000
Australia	2,100	2,000	150,000	300,000
Bolivia	16,000	16,000	450,000	900,000
Brazil	10,000	12,000	540,000	2,500,000
China	135,000	150,000	1,700,000	3,500,000
Congo (Kinshasa)	3,500	3,000	NA	NA
Indonesia	102,000	100,000	800,000	900,000
Malaysia	2,500	2,000	500,000	600,000
Peru	39,000	38,000	710,000	1,000,000
Portugal	100	100	70,000	80,000
Russia	2,500	2,000	300,000	350,000
Thailand	100	100	170,000	200,000
Vietnam	3,500	3,500	NA	NA
Other countries	4,000	4,000	180,000	200,000
World total (rounded)	320,000	333,000	5,600,000	11,000,000

Source: USGS, Feb '09.

Top ten tin companies

(Annual production, tonnes refined tin)

	2006	2007	%change
1 Yunnan Tin (China)	52,399	61,129	16.7%
2 PT Timah (Indonesia)	44,689	57,600	28.9%
3 Minsur (Peru)	40,977	35,940	-12.3%
4 Malaysia Smelting Corp (Malaysia)	22,850	25,471	11.5%
5 Thaisarco (Thailand)	27,828	19,826	-28.8%
6 Yunnan Chengfeng (China)	21,765	18,000	-17.3%
7 Liuzhou China Tin (China)	13,499	13,193	-2.3%
8 EM Vinto (Bolivia)	11,804	9,448	-20.0%
9 Metallo Chimique (Belgium)	8,049	8,372	4.0%
10 Gold Bell Group (China)	4,696	8,000	70.4%

Data: ITRI, Antaike. Figures for PT Timah estimated. ITRI members highlighted

Source: ITRI, 2008.

Four of the top 10 companies in 2007 were based in China.

Price history

The tin price was artificially supported in the decade prior to 1986, when it collapsed due to artisanal mining.

Up until the mid 1980s, world tin producers and buyers attempted to regulate the market through the International Tin Council. The ITC collapsed in 1985 when it could no longer raise funds to support the tin price on the LME. Up until the late 1990s, the tin market was over-supplied as a result of small-scale and often illegal alluvial mining, especially in Indonesia. This activity has since been curtailed.

Prices surged again in 2006 during the commodity bubble. Prices peaked at US\$25,495/t in May '08 ...

In more recent times, prior to the global financial crisis, the combination of Asian demand and new production saw a booming tin market. Prices of refined tin on the London Metals Exchange (LME) and Kuala Lumpur Tin Market (KLTM) rose six-fold between 2001 and 2008, reaching a high of ~US\$25,495/t in May '08.

This rapid increase was due to a perceived shortage in tin supply. In early October 2008, International Tin Research Institute (ITRI) senior analyst, Peter Kettle, said: "There is no shortage of tin today, and the world's tin resource base is adequate to maintain long-term supplies, but there could be supply problems in between – from around 2010 to 2012," (Asia Today Online). Also, the global metals markets gained a speculative element due to an influx of money from hedge and investment funds in the wake of the early stages of the 2007 sub-prime mortgage crisis. This contributed to a bubble in commodity prices.

... but then slumped by more than 50% in five months as the bubble burst.

After the May 2008 LME high of US\$25,495/t, and with the financial crisis worsening, prices began to decline as funds flowed away from the tin market and into perceived safe havens such as gold and the US\$. Until early October 2008, fundamental supply and demand factors were expected to sustain tin prices at US\$15,000/t, but the price fell, in concert with other base metal prices, after the October crash in world stockmarkets and subsequent recognition of a global recession.

Recent price activity and LME supplies

Tin prices are volatile but have found repeated support above ~US\$11,000/t.

The LME tin spot price is currently trading near US\$13,600/t (\$16.17/lb), compared with May 2008 when it reached a cycle high of US\$25,495/t (\$11.56/lb). It tested an initial 22-month low of below US\$11,500/t (~\$5/lb) several times between October 2008 and December 2008, before dropping in December 2008 to a 5-year low of US\$9,995/t. It has since recovered to as high as US\$14,400/t in mid-May 2009. These variations are due to initial sharp falls in both tin supply and demand caused by the global financial crisis, followed by a partial recovery, driven by improving tinplate sales and Chinese stockpiling of commodities. The average LME price in April 2009 was \$11,770/t and in May could be ~US\$13,700/t. LME stocks of refined tin are at 14,350t, which is 20% below the top of their their 5-year range.

Tin stocks remain within their 5-year range.

Tin: elemental facts

Tin's properties include corrosion resistance and a low melting point.

Tin is a chemical element with atomic number 50 (post-transition metal), specific gravity 7.29 and the symbol Sn. At atmospheric temperatures and pressures it is a malleable, ductile, silvery white metal. Tin is relatively resistant to corrosion, bonds easily with other metals including iron and copper, has a relatively low melting point (231.9°C), and becomes brittle when cooled. It is a scarce element, with an abundance in the earth's crust of ~2 parts per million (ppm),

Tin is a scarce element compared to other base metals.

compared with 94ppm for zinc, 90ppm for nickel, 63ppm for copper and 12ppm for lead. Most of the world's tin is produced from placer deposits. Tin is also mined from hard rock deposits in and adjacent to granitic igneous rocks. Its most commercially important mineral is cassiterite (SnO₂); tin sulphides (e.g. stannite) are also mined.

Recent Industry developments

Tin markets could be in surplus in 2009 but demand could recover in 2H09 ...

- ITRI expects tin markets to be **in surplus by 5-10kt in 2009** as declining consumption in 1H09 outpaces cuts in supply. It estimates that world usage in 2009 will fall to ~300kt, compared with ~350kt in '07. **Demand is expected to make a slow recovery in 2H09.**

... after a 30% YoY fall in 1Q09.

- The World Bureau of Metals Statistics (WBMS) said in April 2009 that estimated **global tin consumption** for January and February 2009 was 39.5kt, a **30% year-on-year (YoY) decline**. Apparent consumption in February, of 18.6kt, was the lowest monthly figure since March 1999. Other year-on-year falls: US, 22%; Japan, 51%; Europe, 20% and China, 35%. The decline in Chinese production was even greater, with an estimated domestic shortfall of 1.3kt Sn.

Chinese production is down 20.4% YoY to date, but up 8.5% for April ...

- China's National Bureau of Statistics reported that **Chinese refined tin production** in April was 12,472t, an **8.5% year-on-year increase**, the first in 2009. Cumulative production in January-April was 32,970t, a 20.4% YoY decrease. The pick-up reflects improved demand and raw materials availability from mines and scrap (ITRI).

... which could be a sign that local stockpiling is having a positive effect on demand.

- In early May 2008, China's Yunnan provincial government announced a second round of **stockpiling** to support local non-ferrous metal producers. The first round, which started in December 2008, was for up to 552kt of metals, including up to 30kt of tin, but ITRI believes that the actual volume was ~10kt. The second round will run from April-December 2009, with no tonnages announced.

Indonesian production fell in April, due to seasonal effects and depleting reserves...

- **Indonesian exports and production fell in April**, partly due to a lack of demand but more recently due to local flooding and depletion of reserves. In April, Indonesia's trade ministry checked 6,082t of refined tin for shipment, 45% down on March and 23% lower than in April 2008. The cumulative total for the first four months of the year was 32,041t, a 5.2% YoY fall (ITRI). Patris Lumumba, director of PT Bangka-Belitung Timah Sejahtera, was reported as saying that its getting more difficult to mine tin because **reserves are depleting**. He said miners now had to dig down to 20m to find tin ores, compared with 5-8m in previous years.

... but PT Timah's 1Q09 sales rose in volume by 8% YoY, at an average cost of US\$10,565/t.

- Indonesia's PT Timah reported an **8% YoY increase** in refined tin sales in 1Q09, although production and profitability declined. Offshore production accounted for 49% of its concentrate output, due to a fall in inland production. Average costs were US\$10,565/t.

Tin sales in the DRC have halted ...

- Traxys SA announced in May that it will stop buying tin ore from the eastern Democratic Republic of **Congo** from 1 June, after pressure from the UN and NGOs. Traxys says it is establishing a new protocol to ensure that profits are not flowing to armed rebel groups.

... Australia's MLX has ramped up production ...

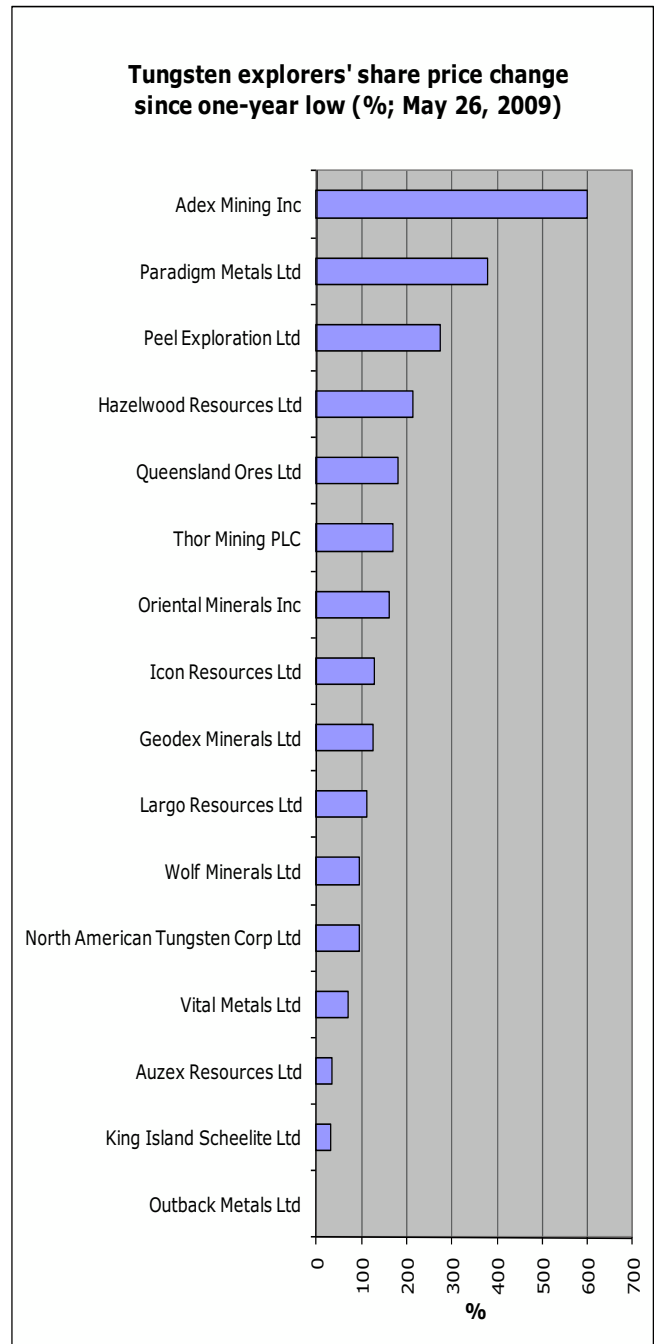
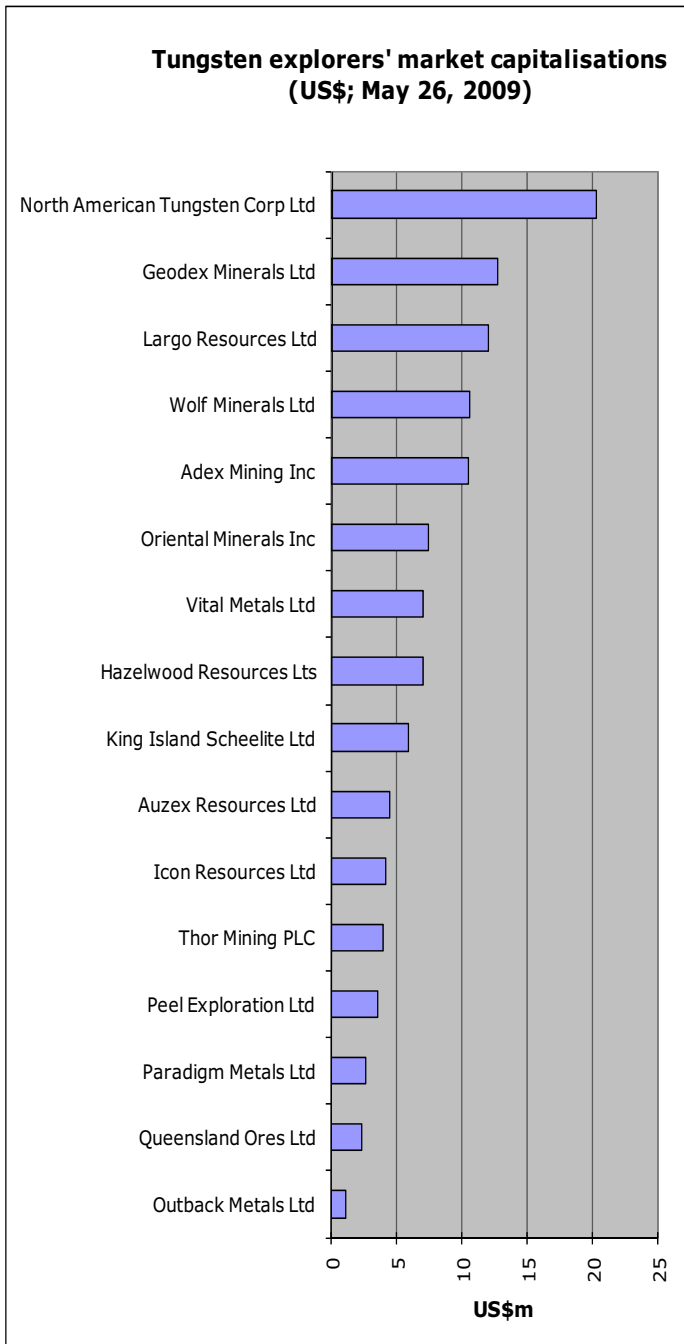
- In **Australia**, major tin producer Metals X (ASX:MLX) reported a 61% increase in tin production in 1Q09 over 4Q08. The tonnage mined increased by 31% to 81.9kt and ore grade increased by 18% to 1.68% Sn over the previous quarter.

... and Minsur's income decline 30% in 1Q09.

- Peruvian tin miner Compania Minera Minsur SA announced in May that 1Q09 **net income fell by 30% YoY** to US\$44 million. Total first quarter sales had a 45% YoY decline. Minsur's 1Q09 mine production in Peru fell 6.8% year-on-year, while refined metal output fell by 3.4% to 9,620 tonnes.

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Tungsten: Comparative Charts



North American Tungsten is the western world's major W producer, with 4% of global supply coming from its Cantung mine in Canada. Geodex is in Pre Feasibility at the 152kt WO₃ / 52kt Mo, Sisson Brook deposit (also in Canada).

Of the companies studied, most have recovered some of their share price losses since 2008 lows. The average increase over 12-month low is 157%. For the same companies, the average fall from 12-month high is 68%.

Tungsten: Financial Data*

COMPANY	Code	Status ¹	Yr End	Exchanges	Share Price (LC\$/share) ³	52 week		Current	Shares (m)	Opt+W ² (m)	C. Notes ² (m)	Fully Diluted		Market Cap (LC\$m) ³	Enterprise Value					
						Hi	Low					Shares (undiluted)	Cash (LC\$m) ³		Debt (LC\$m) ³	Book Value (LC\$m) ³	Enterprise Value (Undiluted) (LC\$m) ³			
26 May 2009																				
AUSTRALIA (A\$)																				
Auzex Resources Ltd	AZX	E	June	ASX	AZXO	1.15	0.12	0.16	37	14	0	52	6							
Hazelwood Resources Lts	HAZ	I	June	ASX	No	0.22	0.04	0.14	69	8	0	77	9							
Icon Resources Ltd	III	I	June	ASX	III O	0.24	0.04	0.08	68	6	0	74	5	4.3	4.6	4	10			
King Island Scheelite Ltd	KIS	I	June	ASX	No	0.61	0.10	0.13	62	5	0	67	8	3.5	13.8	16	22			
Outback Metals Ltd	OUM	E	June	ASX	OUM O	0.27	0.04	0.04	37	135	0	172	1							
Paradigm Metals Ltd	PDM	E	June	ASX	No	0.12	0.01	0.05	72	3	0	75	3							
Peel Exploration Ltd	PEX	E	June	ASX	No	0.23	0.04	0.15	31	31	0	62	5	0.9	0.0	2	5			
Queensland Ores Ltd	QOL	E	June	ASX	No	0.18	0.01	0.01	221	1	0	222	3							
Thor Mining PLC	THR	I	June	ASX	AIM	THRO	0.18	0.01	0.04	149	86	0	235	5						
Vital Metals Ltd	VML	E	June	ASX	No	0.70	0.04	0.07	144	5	0	148	9	1.2	0.5	9	10			
Wolf Minerals Ltd	WLF	I	June	ASX	No	1.36	0.27	0.53	27	3	0	29	14	1.2	0.5	9	15			
Average: Australia																				
OTHER																				
Adex Mining Inc	ADE	E	Dec	TSX.V	No	0.39	0.02	0.14	88	6	0	94	12							
Geodex Minerals Ltd	GXM	E	Sep	TSX.V	DAX	No	0.78	0.08	0.17	88	13	0	101	15	0.7	0.0	22	15		
Largo Resources Ltd	LGO	E	Dec	TSX.V	No	1.58	0.05	0.10	149	13	0	162	14							
North American Tungsten Corp Ltd	NTC	P	Dec	TSX.V	No	1.30	0.10	0.20	122	9	0	132	24							
Oriental Minerals Inc	OTL	E	Dec	TSX.V	No	0.38	0.05	0.13	67	15	0	82	9							
Average: Other																				
Total: (US\$) ⁴																				
						9	15	49	58											

(1) P: Producer; E: Explorer; I: Imminent - includes companies with bankable feasibility studies and likely to be in production within 3 years; IHC: Investment Holding Company

(2) Fully Diluted (shares, options + warrants (opt. + w), convertible notes (Conv. N), other obligations)

(3) L.C. - Local Currency unit; Jun '09F (4) AUD/USD: 0.75; CAN/USD: 0.85

*Full data sets provided only for companies covered in this report

Tungsten: Company Statistics

COMPANY	Code	Land ('000 ha) ⁶	Drilling ('000 m)				(A) Exploration (LC.\$m) ⁷				(B) Corporate (LC.\$m) ⁷				(A)/(A+B) %		
			Mar-09	Jun-09	2009	2010	Mar-09	Jun-09	2008	2010	Mar-09	Jun-09	2009	2010	Jun-09	2009	2010
26 May 2009																	
AUSTRALIA (A\$)																	
Auzex Resources Ltd	AZX																
Hazelwood Resources Lts	HAZ																
Icon Resources Ltd	III	420	0.0	0.0	0.0	8.0	0.1	0.1	2.4	2.0	0.1	0.1	0.4	0.4	51	87	84
King Island Scheelite Ltd	KIS	0	0.0	0.0	0.0	0.0	0.3	0.2	2.6	0.8	0.3	0.3	1.4	1.0	46	65	44
Outback Metals Ltd	OUM																
Paradigm Metals Ltd	PDM																
Peel Exploration Ltd	PEX	80	0.0	1.5	3.1	6.0	0.1	0.3	0.5	2.0	0.1	0.1	0.4	0.4	75	56	83
Queensland Ores Ltd	QOL																
Thor Mining PLC	THR																
Vital Metals Ltd	VML	10	0.0	0.0	0.0	20.0	0.4	0.1	8.9	1.5	0.2	0.2	1.3	0.8	40	87	65
Wolf Minerals Ltd	WLF	0	0.0	0.0	0.0	0.0	0.5	0.1	1.0	3.5	0.1	0.1	0.5	0.6	50	68	85
Total: Australia																	
			0	2	3	34	1	1	15	10							
OTHER																	
Adex Mining Inc	ADE																
Geodex Minerals Ltd	GXM	32	0.0	2.0	6.0	5.0	1.0	0.6	11.2	3.1	0.2	0.2	0.8	0.8	75	93	79
Largo Resources Ltd	LGO																
North American Tungsten Corp Ltd	NTC																
Oriental Minerals Inc	OTL																
Total: Global (US\$)																	
							2	1	21	10							

Tungsten: Reserves, Resources and Historic Mineralisation

COMPANY	Code	Status ¹	Reserves (Equity) ²			Resources (Equity) ²			Historical/Mineralised Material (Equity) ²			Tungsten (WO ₃)		Total - Gold Equivalent ³ (Moz)
			Tungsten (WO ₃) kt	Gold k mtu	Other Moz	Tungsten (WO ₃) kt	Gold k mtu	Other Moz	Tungsten (WO ₃) kt	Gold k mtu	Other Moz	Tungsten (WO ₃) (All Mineralisation) ¹ kt	Gold k mtu	
26 May 2009														
AUSTRALIA														
Auzex Resources Ltd	AZX	E	0.0	0.0		0.0	0		0.0	0.0		0.0	0	0.0
Hazelwood Resources Ltd	HAZ	I	0.0	0.0		15.2	1525		0.0	0.0		15.2	1525	0.2
Icon Resources Ltd	III	I	0.0	0.0		2.5	248		0.0	0.0		2.5	248	0.0
King Island Scheelite Ltd	KIS	I	216	2166.0		42.9	4288		0.0	0.0		42.9	4288	0.6
Outback Metals Ltd	OUM	E	0.0	0.0		0.0	0		26.4	2642.7		26.4	2643	0.4
Paradigm Metals Ltd	PDM	E	0.0	0.0		1.8	182	390t Sn	0.0	0.0		1.8	182	0.0
Peel Exploration Ltd	PEX	E	0.0	0.0		7.9	787		0.0	0.0		7.9	787	0.1
Queensland Ores Ltd	QOL	E	0.0	0.0		3.8	379	0.09 72kt Cu	0.0	0.0		3.8	379	0.1
Thor Mining PLC	THR	I	0.0	0.0		12.3	1230	4.64kt Mo	0.0	0.0		12.3	1230	0.2
Vital Metals Ltd	VML	E	0.0	0.0		69.3	6930		0.0	0.0		69.3	6930	0.9
Wolf Minerals Ltd	WLF	I	0.1	6.2	22.8kt Sn	214	2143	22.4kt Sn	0.0	0.0		214	2143	0.3
Average: Australia				0.0			0			0.0		0.0	0	0.0
OTHER														
Adex Mining Inc	ADE	E	0.0	0.0		62.5	6250		0.0	0.0		62.5	6250	0.9
Geodex Minerals Ltd	GXM	E	0.0	0.0		1517	15174		0.0	0.0		1517	15174	2.1
Largo Resources Ltd	LGO	E	0.0	0.0	248.5kt V ₂ O ₅	394.0	39400	92.3kt Mo	0.0	0.0		394.0	39400	5.4
North American Tungsten Corp Ltd	NTC	P	0.0	0.0		273.2	27323		0.0	0.0		273.2	27323	3.7
Oriental Minerals Inc	OTL	E	0.0	0.0		233.2	23320		0.0	0.0		233.2	23320	3.2
Average: Other														
Total/Total Average			22	2162		1292	129179		26	2643		1318	131822.1	

(1) P: Producer; E: Explorer; I: Imminent - includes companies with bankable feasibility studies and likely to be in production within 3 years; IHC: Investment Holding Company

(2) Reserves, resources and mineralised material published by the relevant company.

The applicable mineral resource codes are by country: Australian: JORC, Canadian: NI 43-101, South Africa: SAM REC

(3) For Tungsten only. Assumes a tungsten con price of US\$130/mtu and a gold price of US\$950/oz * Mineral resource estimates are inclusive of the mineral reserve. ^ Moz or as specified

Tungsten: Valuation and Performance Data

COMPANY	Code	P/Book (x)	P/Net Cash (x)	EV-Cash	EV-Cash	EV-Cash	Production Commencement Year	Share Price Performance (%)				Current Share Price		
				/Reserves US\$/lb	/Res+v+resources US\$/lb	/Total Sn US\$/lb		1 month	3 month	6 month	12 month	%off 12 month Hi	Lo	
26 May 2009														
AUSTRALIA														
Auzex Resources Ltd	AZX						na	na	na	na	na	na	86	33
Hazelwood Resources Ltd	HAZ						na	-10	90	93	-21		39	214
Icon Resources Ltd	III	14	-16.1	na	0.02	0.02	na	51	60	33	-60		67	129
King Island Scheelite Ltd	KIS	0.5	-0.8	0.01	0.00	0.00	na	4	-38	-38	-79		79	32
Outback Metals Ltd	OUM						na	-40	na	na	na		86	0
Paradigm Metals Ltd	PDM						na	33	153	129	-63		60	380
Peel Exploration Ltd	PEX	2.3	5.0	na	0.00	0.00	na	na	na	na	na		35	275
Queensland Ores Ltd	QOL						na	0	133	100	-92		92	180
Thor Mining PLC	THR						na	17	119	17	-77		81	169
Vital Metals Ltd	VML	10	13.6	na	0.00	0.00	na	na	59	-24	-90		91	71
Wolf Minerals Ltd	WLF	16	20.4	161	0.00	0.00	na	26	66	-12	-63		61	96
Average: Australia				0.81	0.01	0.01								
OTHER														
Adex Mining Inc	ADE						na	65	250	180	-56		64	600
Geodex Minerals Ltd	GXM	0.7	20.2	na	0.00	0.00	na	3	31	48	-77		78	127
Largo Resources Ltd	LGO						na	0	12	58	-84		94	111
North American Tungsten Corp Ltd	NTC						2005	5	18	11	-85		85	95
Oriental Minerals Inc	OTL						na	24	18	86	-65		66	160
Average: Other				na	na	na								
Total/Total Average				0.54	0.00	0.00		13	69	49	-65		68	157

III.AU

Icon Resources Limited

A\$ 0.08

26 May 2009
Tungsten, Gold, Base Metals, PGE
Australia (QLD, NSW, TAS)
Scoping
Exchanges: ASX:III

Icon's strategy to develop the Mt Carbine tungsten project (QLD) is to re-treat the historic mine tailings while confirming the resource for a sustained open-cut operation – potential for >50% expansion of current hard rock 10.7mt @ 0.21% WO₃.

Capital Profile

Share price (A\$)	0.08
52 week range (A\$/share)	0.04 to 0.24
Number of shares (m)	68
Options and warrants (m)	6
Convertible notes (m)	0
Fully diluted (m)	74
Market capitalisation (undiluted) (A\$m)	5.5
Debt (A\$m) - Jun 09F	4.6
Enterprise value (A\$m)	10.1
Major shareholders: S Bartrop (12.6%), G Fallon (8.3%), J Bishop (7.0%), R Lewis (6.4%), A White (6.2%), L Pretorius (5.7%).	
Avg monthly volume (m)	0
Cash (A\$m) - Jun 09F	4.3
Price/Cash (x)	1.3
Price/Book (x)	1.4
Listed company options:	IIIO

Production and Financial Forecasts

YEAR END: June	Mar-09a	Jun-09F	2008a	2009F	2010F
Exploration and evaluation (A\$m)	0.12	0.10	2.43	1.17	2.00
Corporate (A\$m)	0.10	0.10	0.55	0.37	0.38
Exploration/(Expl.+ Corporate) (%)	54	51	82	76	84
Funding duration at current burn (yrs)			0.1	2.8	0.3
Shares on issue (pr end) (m shares)	61.1	71.1	46.5	71.1	80.1
Drilling - RAB (m)	0	0	0	0	0
Drilling - Other/Diamond (m)	0	0	0	0	8,000
Land holding ('000 ha)	420	420	600	420	420
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	0.25	0.35	0.00	1.68	0.00
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m)	0.1	4.3	0.2	4.3	0.7
Cash backing (Ac/share)	0.2	6.1	0.3	6.1	0.8
Net asset backing (Ac/share)	7.1	5.7	8.1	5.7	4.1

Quarters stated on calendar year basis.

Investment Points

Owns 100% of the historic Mt Carbine Project (QLD), formerly Australia's largest tungsten mine.

Mt Carbine: resources total 25kt WO₃. Open pit resource 1.1mt @ 0.2%, target 15mt @ ~0.2% WO₃ upgrade possible in 2H09.

Feasibility study in progress on 3-phase mine plan: tailings, open pit and/or underground. Open pit study could be completed 2H09, hard rock production 3Q11.

Early cash flow targeted from third-party processing of tailings at Mt Carbine (negotiations in progress).

Collingwood Tin Project (QLD): negotiating purchase with III shareholder Metals X, could bring a 360kt/yr processing plant for Mt Carbine.

Share placements in 1H09 have raised working capital of A\$0.6m; Mt Carbine expected to be funded externally..

Company Comment

Overview: III listed on the ASX in June 2006. Its flagship project is the historic Mt Carbine tungsten deposit in QLD. It also has a portfolio of diversified exploration tenements in eastern Australia.

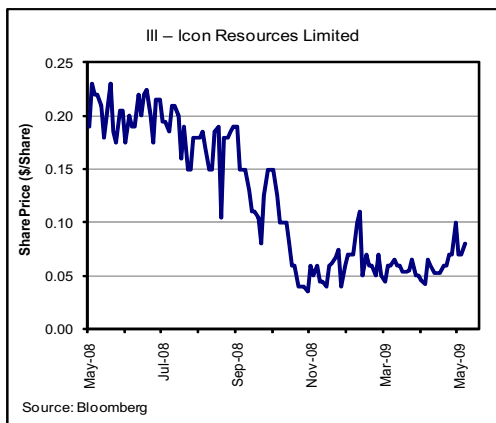
Mt Carbine (W, QLD, 100%): 120km from Cairns. Prior to its closure in the mid 1980s, Mt Carbine was Australia's largest tungsten producer. The mine's production of ~0.8-1.2kt/yr WO₃ was in the form of high-grade, low impurity concentrates of wolframite and scheelite from sheeted veining. There was no recovery of <75 micron material, which was lost to tailings. III is targeting a bulk tonnage operation focused on the existing granted 14-year Mine Leases, with a three-stage development program. This involves the retreatment of the mine tailings (JORC inferred resource 1.6mt @ 0.1% WO₃) from 4Q09; the re-opening of the open pit (1.05mt @ 0.2% WO₃) and potentially waste dumps (non-JORC estimate 10-14mt @ ~0.1% WO₃) to produce 2.5kt/yr WO₃ (~1.25mt ore grading 0.2%); and, later, the re-opening of the underground development (resource 9.6mt @ 0.22% WO₃ accessible by a 500m decline).

Feasibility Study results are expected 2H09. Trial gravity separation of tailings recovered 50-53% to a ~65% WO₃ concentrate, and 75% to a ~45% WO₃ concentrate (centrifuge, flotation). Concentrates have been sent to potential consumers. **The ore is amenable to beneficiation by photometric sorting, potentially reducing the required concentrator throughput by 80%.** III is planning to evaluate resource expansion outside the current pit envelope in mid-09, using samples of historic core (low cost); followed by further drilling in late 2009. There is prospectivity north of the current pit, and potential to extend the open pit resource in the order of 15mt @ 0.2% WO₃, based on old workings and mapping. Assuming exploration is successful, Icon believes this would provide a 10 year open pit mine life.

Collingwood Tin Project: Icon is negotiating with Metals X (ASX:MLX) to acquire the Collingwood Tin Project. Collingwood could provide a processing plant for Mt Carbine (360kt/yr capacity, sufficient to treat ~1.8mt pre-sorted ore) and Icon is currently assessing whether this represents the best development option. An announced MOU (Feb '09) included a loan and convertible note from MLX; however, this was set aside due to a delay in securing third party re-treatment of tailings, and because some parties could be interested in developing both tailings and hard rock resources (potentially without Collingwood).

Eastern Australian Exploration (100%): III has a multi-commodity exploration portfolio, for which it is seeking JV partners to evaluate priority targets. Projects include **Burketown** (NW QLD, Mt Isa block), prospective for large IOCGU targets under cover, **Fitzroy** (Central Qld) containing base metal prospects, **Peel Fault** (NSW), over widespread structurally controlled historic hard-rock gold workings; and **Tara** (NSW), a large polymetallic-tin system beneath shallow cover.

Investment Comment: III had forecast annual net cash flow at Mt Carbine of ~A\$15m, assuming WO₃ US\$200/mtu and exchange rate of AUD/US\$0.86, for a 13 year operation. Using similar parameters, with production of 2.5kt/yr WO₃, US\$180/mtu for 65% concentrate, and costs of US\$120/mtu, approximate NPV (5% discount) of the hard rock resource is A\$51m, compared with III's market cap of A\$5.5m. Third party processing of the Mt Carbine and Collingwood tailings (potentially by Polymetals Group Pty Ltd) could provide cash flow from 4Q09. With working capital secured by share placements, III could complete the Mt Carbine feasibility study in 2H09 and be in hard rock tungsten production by 3Q11.



Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian (JORC)

Tungsten	Classification	Project	Ore	WO ₃	Cut Off	WO ₃	WO ₃	WO ₃
		Equity	Mt	%	%	kt	M mtu	kt
Reserves								
Resources								
Mt Carbine - tailings	Inferred	100%	1.6	0.11	na	1.8	0.2	1.8
Mt Carbine - open cut	Inferred	100%	1.1	0.20	na	2.1	0.2	2.1
Mt Carbine - u/ground	Inferred	100%	9.6	0.22	na	21.1	2.1	21.1
						25.0	2.5	2.5

Mineralised Material (est., non compliant with JORC)

Also Fitzroy (QLD), has total Inferred Resource: 1.75mt @ 1.7% Cu, 2% Zn, 8.5g/t Ag, 0.2g/t Au, cutoff 1% equiv Cu in Nov '07

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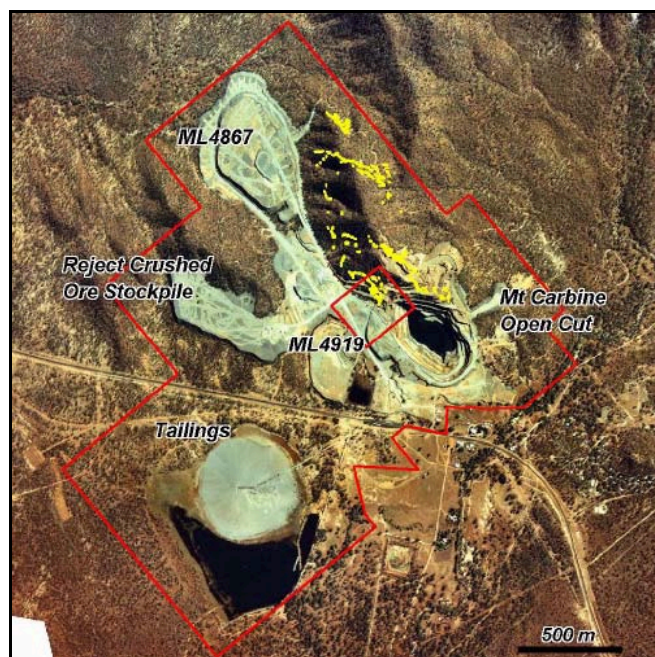
Key Projects

Project	Ownership/Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Mt Carbine	100%	W	none	Vein	Grav, float	Scoping	Aus (QLD))
Burketown	100%	IOCGU, Ni	none	IOCGU	na	Early Expl	Aus (QLD))
New Century	100%	Zn, Pb	none	Skarn	na	Early Expl	Aus (QLD))
Fitzroy	100%	Cu, Zn	none	Epitherm.	na	Adv Expl.	Aus (QLD))
Peel	100%	Au	none	Structural	na	Mid Expl.	Aus (NSW)
Tara	100%	Sn	none	Granite	na	Mid. Expl	Aus (NSW)

Icon Resources project locations: Ill is focused on the historic Mt Carbine tungsten deposit (QLD), where it plans to develop a tailings re-processing operation, followed by open-cut and underground mines. The asset portfolio includes prospective leases in the Mt Isa district of north-western QLD.



Mt Carbine Project: the mine produced 43% of Australia’s annual tungsten output, until it closed following a sharp price decline in 1986. It has considerable pre-existing infrastructure and permitting, including a 14 year mining lease, sealed road and 132KV power line. Hard rock mining is planned for 3Q11.



KIS.AU

26 May 2009
Tungsten
Australia (King Island TAS)
Construction
Exchanges: ASX:KIS

King Island Scheelite Limited

A\$ 0.13

KIS is nearing construction of the 300,000 mtu/yr WO₃ King Island tungsten project, with the backing of Hunan Nonferrous Metals Corp (HNC). Estimated capex A\$110m and opex A\$80-A\$100/mtu with scope for process refinement. Project NPV is A\$101m.

Capital Profile

Share price (A\$)	0.13
52 week range (A\$/share)	0.10 to 0.61
Number of shares (m)	62
Options and warrants (m)	5
Convertible notes (m)	0
Fully diluted (m)	67
Market capitalisation (undiluted) (A\$m)	7.8
Debt (A\$m) - Mar 09F	13.8
Enterprise value (A\$m)	21.6
Major shareholders: C Morritt (22.1%), R Gibson (16.0%), Abex Res. Aust Hunan Nonferrous Metals Corp. (7.3%), The Glen Rural Pty Ltd (6.5%), ANZ	
Avg monthly volume (m)	1
Cash (A\$m) - Mar 09F	3.5
Price/Cash (x)	2.3
Price/Book (x)	0.5
Listed company options:	No

Investment Points

Focused on tungsten mining and exploration.

King Island Project: recommissioning of historic open cut mine with 8.58 mil. mtu resource of WO₃ grading 0.64%, including a 4.31 million mtu WO₃ mining reserve.

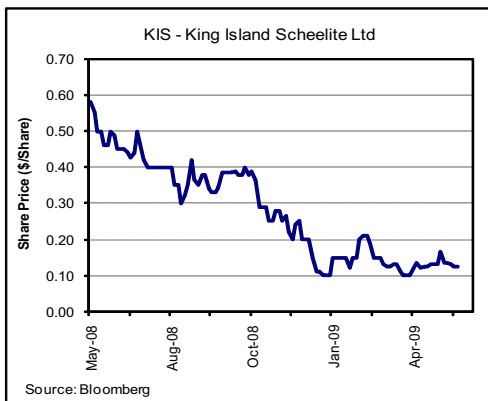
Expected production 300,000 mtu/yr WO₃ in concentrate at cash cost A\$80-100/mtu, mine life 7yrs with potential for second +6yr phase.

Mine and mill construction imminent, initial capex A\$110m with potential for savings via process refinement.

Project debt financing from 50% JV partners Hunan Nonferrous Metals Corp (HNC, China), payback from 60% of KIS's share of project net cash flow.

Exploration upside at near-mine targets.

Project NPV (8%) US\$65m at WO₃ price US\$150/mtu.



Production and Financial Forecasts

YEAR END: June	Mar-09a	Jun-09F	2008a	2009F	2010F
Exploration and evaluation (A\$m)	0.31	0.21	2.57	0.91	0.80
Corporate (A\$m)	0.29	0.25	1.49	1.39	1.00
Exploration/(Expl.+ Corporate) (%)	52	46	63	39	44
Funding duration at current burn (yrs)			0.3	1.5	3.9
Shares on issue (pre/nd) (m shares)	62.4	62.4	40.0	62.4	67.4
Drilling - RAB (m)	0	0	0	0	0
Drilling - Other/Diamond (m)	0	0	0	0	0
Land holding ('000 ha)	0	0	11	0	0
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	0.00	0.00	0.00	4.73	10.00
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m)	4.1	3.5	1.0	3.5	7.0
Cash backing (A\$/share)	6.6	5.5	2.6	5.5	10.4
Net asset backing (A\$/share)	48.7	26.0	66.9	26.0	51.0

Quarters stated on calendar year basis.

Company Comment

Overview: KIS owns the historic King Island Scheelite Mine, which operated 1917 to 1990, as well as possible extensions to the known orebodies and other tungsten exploration opportunities.

King Island Project (W; King Is, TAS; 100%): The King Island Scheelite Mine operated from 1917 to 1990 and was closed by North Broken Hill Peko due to low tungsten prices caused by the entry of China as a major supplier to the market. All mine infrastructure around the Dolphin open pit was removed during rehabilitation. The project area also has the Bold Hill tungsten mine. The site is adjacent to the coastline - local infrastructure includes a working port (1km distant). The project was acquired by King Island Scheelite (as GTN Resources) in May '05. Current JORC resource is 8.58M mtu of WO₃ grading 0.64% (1 mtu = 10kg) to 304m RL depth, including a mining reserve of 4.31M mtu to 180m RL. A **feasibility study** (updated 3Q07) based on the reserve favoured building a 600ktpa open-pit mine and mill complex treating tungsten (scheelite) ore to produce 300,000mtu/yr of WO₃ in concentrate. Phase 1, which is covered by the feasibility study and includes new infrastructure, will extend the existing pit towards the coastline and to 180m RL, with disposal of overburden in the ocean and construction of a cut-off wall to control ingress of water - mine life 7yrs with 11yrs processing. A potential Phase 2 could add +6yrs mining and +9yrs processing, with another cut-off wall but no additional infrastructure. Phase 1 construction cost estimate of A\$85m, plus \$22m pre-strip and \$3m administration. Possible cash cost A\$80-A\$100/mtu. **Mine development:** Planning commenced Oct '08, with procurement of long lead time items (e.g. rod mill and crusher) scheduled for 2009. All permitting has been received. The construction phase is anticipated to take ~21 months, depending on equipment delivery times. Geotechnical and metallurgical testing is under way to refine the mine design and mill flow sheet, which will be assisted by the tungsten-processing experience of corporate partner HNC.

Joint venture agreement with Hunan Nonferrous Metals Corp (HNC): HNC was approved in Sep '08 to participate in the **Dolphin Joint Venture (DJV)**, an equal partnership between KIS and HNC. HNC now holds 7.3% of KIS (4.45m shares issued at A\$1/share, Sep '08). HNC would provide A\$63 debt funding at 8% interest to meet KIS's 50% share of initial capex plus 15% over-run facility, with repayment from 60% of KIS's share of project cash flow.

Exploration: A Dec '07 aeromagnetic survey identified near-mine exploration targets include West Dolphin (potential strike extensions to Dolphin, incomplete historic drilling of 250m by 200m prospective contact area); South Bold Head (500m strike, prospective for Mine Series rocks at shallow depths); and South Dolphin (under Grassy Bay immediately off shore from Dolphin, prospective for Mine Series rocks and key mineralising faults). Drilling with one rig began 4Q08 (2-3 month program).

Balfour Project (TAS): JV with Pleiades Resources (Feb '09) to explore for tin and tungsten in western Tasmania, KIS earning up to 100% by spending A\$1.73m (initial 35% for A\$0.18m gravity survey).

Investment Comment: The King Island Project has entered the construction phase. Debt financing appears locked in with the backing of HNC via the Dolphin JV. Based on parameters from the 3Q07 feasibility study and using a WO₃ in concentrate price of US\$150/mtu, RCR estimates project NPV at 8% discount rate to be US\$65m (A\$102m), of which KIS has 50%; current mkt cap ~A\$9m (diluted).

Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian (JORC)

Tungsten	Classification	Project Equity	Ore Mt	WO ₃ %	Cut Off %	WO ₃ kt	WO ₃ k-mtu	WO ₃ kt
Reserves								
Dolphin (King Island)	Probable	50%	7.7	0.56	na	43.1	4,312	21.6
Resources								
Dolphin (King Island)	Inferred	50%	13.4	0.64	na	85.8	8,576	42.9
Mineralised Material (est., non compliant with JORC)						0.0	0.0	0.0

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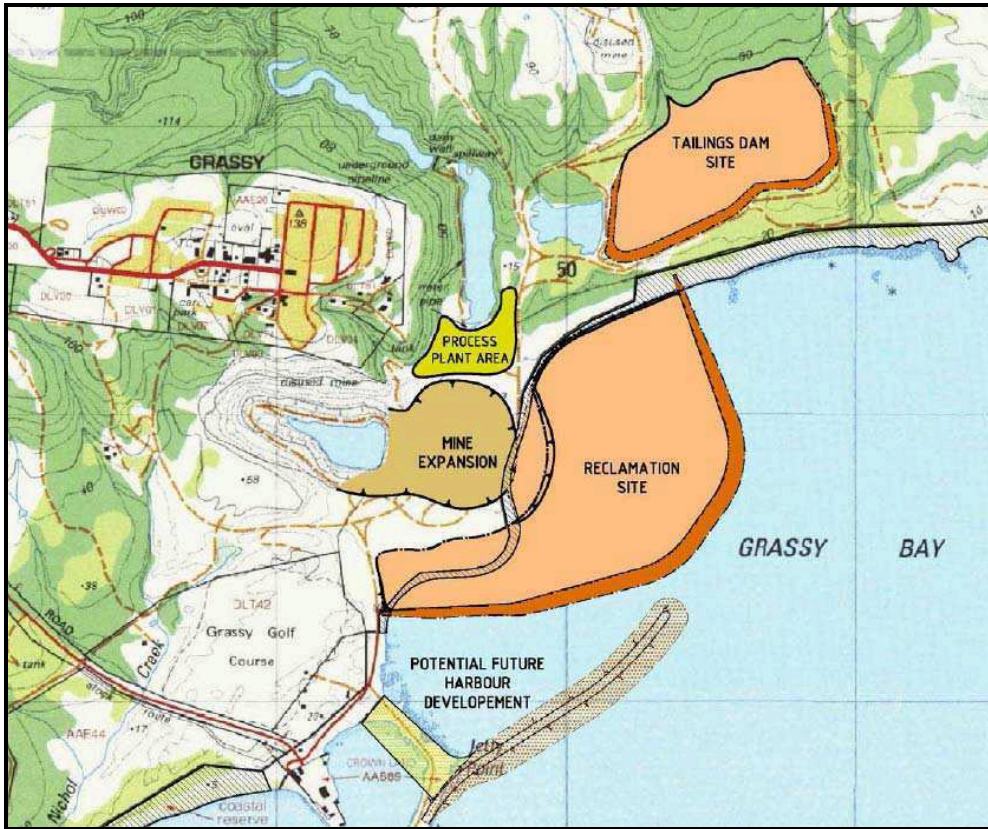
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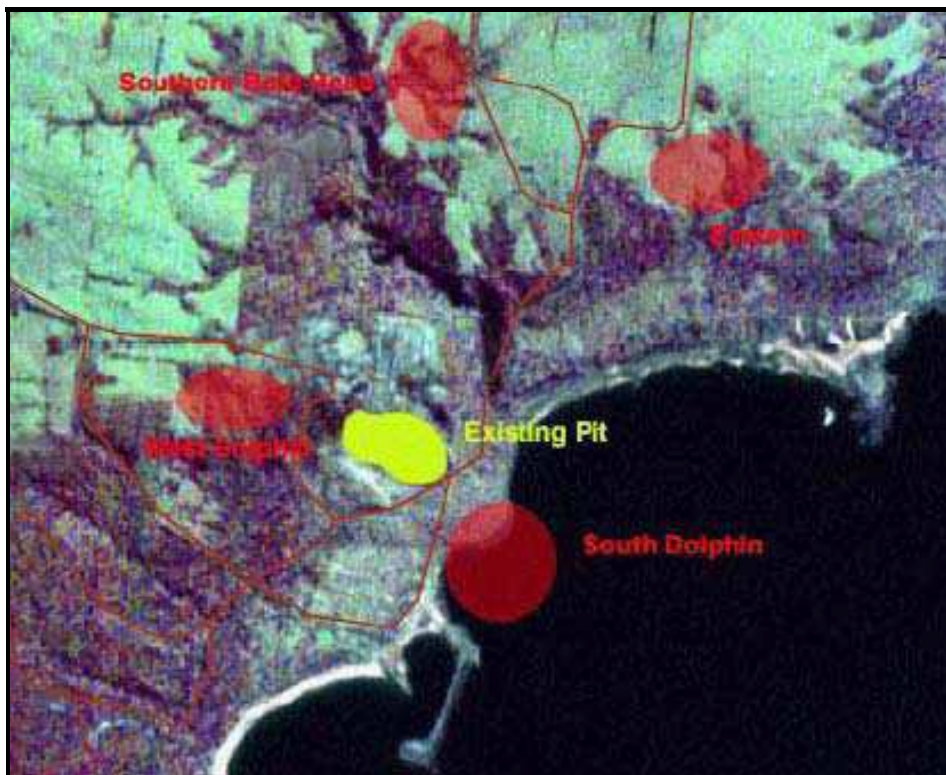
Key Projects

Project	Ownership/Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
King Island Project	50%	W	HNC	Skarn	Grav/float	Construction	Aus (TAS)
Balfour Project	25%/100%	W,Sn	Pleiades	Skarn	na	Early Expl	Aus (TAS)

Proposed development of the King Island Project: KIS plans a two-phase reopening and expansion of the mine. Phase 1 capex is A\$110m for a 600kt/yr plant producing 300,000mtu/yr WO₃ in concentrate, 7 year mine life. Phase two would expand the existing pit into Grassy Bay for an extra 6 years production.



King Island exploration: there are several high-priority brownfields targets adjacent to the current pit. Drill testing of these is planned for 2Q09.



Tungsten: Price Fundamentals

Analyst: Dr Trent Allen

Sector outlook and tungsten price forecast

Prices of European tungsten concentrate were flat through 2008 ...

... but fell in Dec '08 – Jan '09, by 9%.

Chinese domestic prices are more volatile, declining ~32% YoY to 1Q09.

Tungsten production (current and planned) is falling, due to diminishing demand during the financial crisis.

We anticipate that tungsten concentrate will trade above US\$110/mtu in 2009, with an average price of US\$155/mtu ...

... as part of a broader recovery in commodity prices through 2010-2011.

Tungsten prices have remained relatively resistant to the global economic downturn. However, ongoing risks to the world economy make short term demand forecasts for tungsten uncertain.

The price for WO₃ concentrate (65% WO₃) in Europe is currently US\$150/mtu of WO₃, while the more refined APT (ammonium paratungstate) is US\$200/mtu and ferrotungsten is US\$24.5/kg (i.e. US\$245/mtu). APT trades at a premium to concentrate – this averaged ~50% in 2008 (Europe) and is now 33%. Chinese prices are lower, in a slow market: APT for export is US\$186-190/mtu, and domestic is US\$149-152/mtu; domestic concentrate is US\$128-135/mtu for 65% wolframite and US\$124-131/mtu for scheelite. (Wolframite attracts a higher price, as many Chinese APT smelters are set up to process it.)

During 2008, concentrate traded in Europe at a constant monthly average of US\$165/mtu, falling through US\$160/mtu in Dec '08 to US\$150/mtu in Jan '09, a 9% drop. This is a minor fall compared to the ~50% declines experienced in the same period by base metals, which are openly traded and subject to speculators. However, the 1Q09 year-on-year decline for Chinese domestic tungsten concentrate was 32.8%, while APT fell 32% and ferrotungsten 24.2%. Such short-term price discrepancies often arise across global tungsten markets.

A realistic tungsten industry cost curve is hard to draw, due to the difficulty in assembling sufficient accurate cost data, especially from China. Since the recent downturn, there has been a reduction in output by current producers, while some imminent production from new projects has been put on hold. However, as spot-price declines for tungsten have been relatively small, these reductions were due mostly to unquantified expectations of lower demand through 2009, coupled with the difficulty of obtaining funding for new output. On the upside, mining costs are falling, which has caused a decline in oil prices and eased the shortage of skills and equipment.

RCR expects tungsten concentrate (Europe, 65% WO₃) to continue to trade well above US\$90/mtu in 2009, which is a level set by (US PPI adjusted) price peaks during the 1980-2005 low. It will probably remain above a 25-year linear regression of spot prices, which passes through ~US\$110/mtu, a thesis supported by tungsten's long-term record of apparent insensitivity to systemic economic downturns, including, to date, the current one. Our forecast average price for WO₃ 65% concentrate (Europe) in 2009 is US\$155/mtu, similar to the 5-year average concentrate price of US\$154/mtu (USGS). Our concentrate price forecast through 2010-2011 is US\$180/mtu, and for APT is US\$240-270/mtu; this reflects the potential effects of constricted supply, the effects of infrastructure spending, and continued urbanisation by the biggest consumer of tungsten, i.e. China.

These forecasts rely on the effectiveness of global economic stimuli.

Producers have reacted rapidly to the changed conditions by cutting output, leading to falling inventories and supporting the spot price.

Tungsten prices dropped rapidly in the early 1980s due to oversupply from China, and remained low until a price spike in 2005. They have been relatively resistant to the current downturn.

When adjusted to Dec '08 prices (US PPI commodities data), the long-term linear trend is for US\$110/mtu in Dec '09, with significant support at ~US\$90/mtu. A polynomial regression suggests a target of ~US\$180/mtu but this is far too optimistic in the short-term.

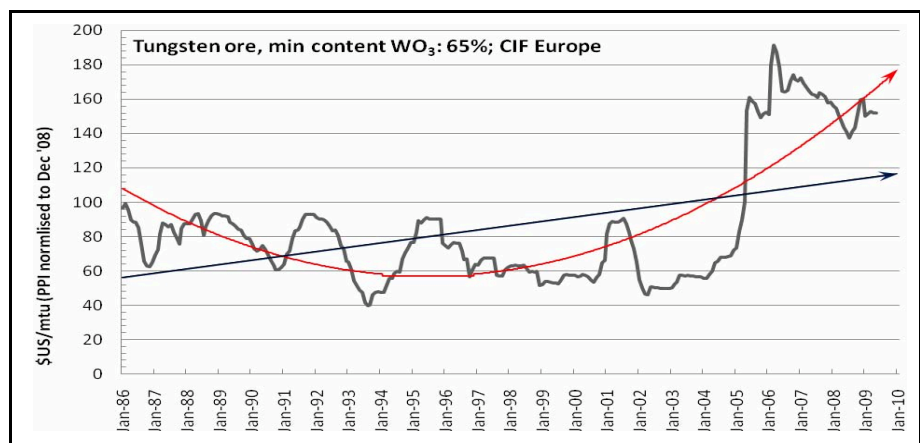
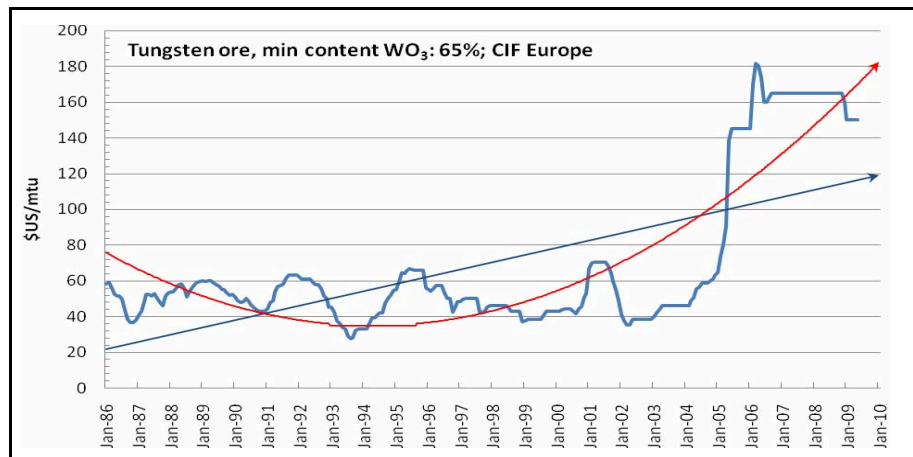
The main uncertainties to our price forecasts:

- Strength of the USD.
- Global aggregate demand and the mid-term effect of economic stimulus packages on commodity prices.

Tungsten market trends in the last 12 months:

- Global demand for most commodities has fallen during the financial crisis, but this effect is difficult to quantify for tungsten.
- Suppliers have responded quickly with cuts in production, leading to price support for WO₃ concentrate (Europe, 65%) above US\$150/mtu and APT (Europe) above US\$180/mtu. The lowest Chinese domestic price for wolframite con in 2009 has been US\$122-133/mtu (March 2009).
- Credit crisis and risk aversion means less funding for expansion of production, both upstream (exploration and mines) and downstream (industry and consumers).
- Many projects are on hold and cash-poor or highly leveraged companies are threatened with insolvency.
- Falling exchange rates in commodity-based economies helped support local tungsten prices in the early stages of the crisis.

European monthly average prices for WO₃ 65% concentrate: US\$/mtu, range Jan '86 to May '09, spot (top) and PPI normalised (bottom).



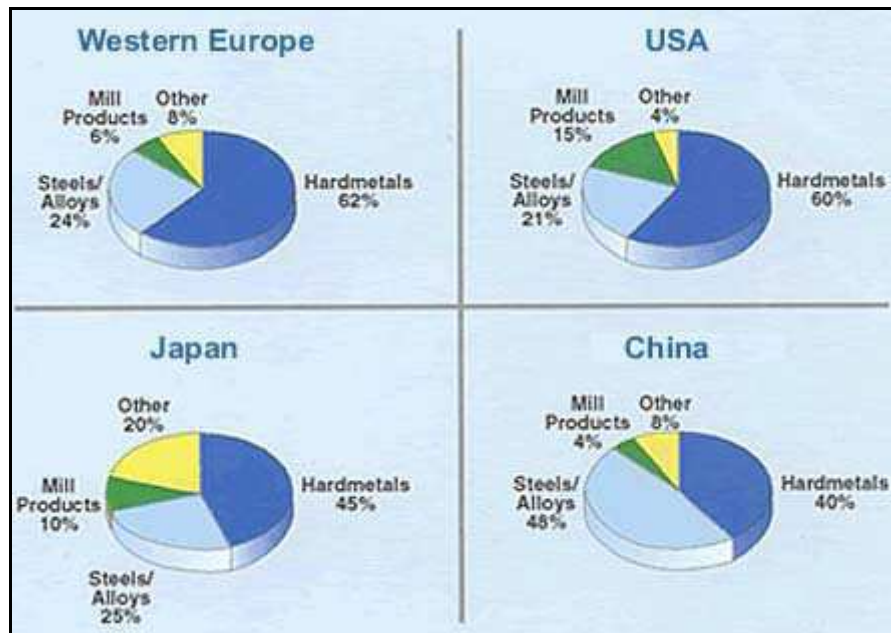
Source: UN, Metal News, FerroAlloy.net, RCR

Main uses and demand

Tungsten has a wide range of uses, the largest of which is as tungsten carbide in cemented carbides. Cemented carbides (also called hardmetals) are wear-resistant materials used by the metalworking, mining, and construction industries. Tungsten metal wires, electrodes, and/or contacts are used in lighting, electronic, electrical, heating, and welding applications. Tungsten is also used to make heavy metal alloys for armaments, heat sinks, and high-density applications, such as weights and counterweights; superalloys for turbine blades; tool steels; and wear-resistant alloy parts and coatings. Tungsten composites are used as a substitute for lead in bullets and shot. Tungsten chemical compounds are used in catalysts, inorganic pigments, and high-temperature lubricants. (Source: USGS, Dec '08).

The main application for tungsten is in 'hardmetal', as tungsten carbide.

Global tungsten usage classified by product group.



Hardmetals dominate tungsten use in Europe, the U.S. and Japan. In China, steelmaking accounts for the highest percentage of use.

Source: ITIA

In terms of total consumption, China is the metal's prime consumer. Global consumption of tungsten in 2007 was 62,879t, of which China accounted for 31.6%, or 19.8kt. Its consumption of the metal has more than doubled over the last decade.

From 1998 to end-2007, global consumption of tungsten grew at 5.8% per annum, with the other significant tungsten consumers being the U.S., Western Europe and Japan.

Supply and reserves

Tungsten is sold in three forms – APT (ammonium paratungstate), ferrotungsten and tungsten concentrate (usually 65% WO₃). The main trading markets are in China, Europe and the USA. Prices are quoted in \$US or RMB and the main units are mtu (metric tonne units, of 10kg WO₃, ie 7.9kg W) and kilograms. It is usually sold on long-term contract.

Tungsten is primarily sold as APT, ferrotungsten alloy and tungsten concentrate (>65% WO₃).

Global 2008 mine production was ~54.6kt, of which China accounted for ~75%.

Global tungsten metal production in 2008 is estimated at 54.6kt (USGS). China accounted for 76% of this, producing 41kt. It was followed by Russia (3.2ktpa), Canada (2.7ktpa) and Austria (1.2ktpa).

China dominates world tungsten production and reserves (60%).

	Mine production		Reserves ⁶	Reserve base ⁶
	2007	2008 ^e		
United States	W	W	140,000	200,000
Austria	1,200	1,200	10,000	15,000
Bolivia	1,100	1,100	53,000	100,000
Canada	2,700	2,600	260,000	490,000
China	41,000	41,000	1,800,000	4,200,000
Korea, North	600	600	NA	35,000
Portugal	850	900	4,700	62,000
Russia	3,200	3,200	250,000	420,000
Other countries	3,880	4,000	440,000	750,000
World total (rounded)	54,500	54,600	3,000,000	6,300,000

Source: USGS; (e) estimate; (6) reserve base = measured, indicated resources; units = tonnes metal.

In the U.S. in 2008, 35% of the tungsten consumed came from scrap.

There is a significant market in secondary or recycled tungsten, with 35% of US consumption in 2008 coming from scrap material (USGS).

In terms of individual tungsten suppliers, the western hemisphere's biggest concentrate producer is North American Tungsten Corporation Ltd (TSX.V:NTC), from its Cantung project in Canada. Chinese producers are state-controlled and some are unlisted. China Minmetals Nonferrous Metals has its metals trading arm, Minmetals Development Co, quoted in Shanghai, while Hunan Nonferrous Metals Co, which controls about 40% of China's tungsten supply, is listed in Hong Kong (HK:2626).

Price history

In the past, tungsten concentrate in Europe has traded at prices far above those of the recent boom e.g. US\$477/mtu (PPI adjusted), Mar '77.

In the last century, tungsten has experienced three periods of very high prices: during WWI, the mid 1950s and the mid-to-late 1970s. Prices during these times, when adjusted to Dec '08 prices using US PPI data (commodities), were far higher than those of recent years. For example, in Mar '77, the time-adjusted monthly average value of WO₃ concentrate (65%) in Europe was US\$477/mtu. The collapse of the 1970s high, caused by massive oversupply from China, led to the lowest tungsten prices of the past 40 years, with a monthly average (PPI adjusted) of US\$40/mtu for 65% concentrate in Aug '93. This 15-year slump ended in 2005, when China began to restrict exports of tungsten metal. Monthly average concentrate spot prices rose by ~125%, from US\$64.5/mtu in Jan '05 to US\$145/mtu in Dec '05. Prices were slow to adjust to the current crisis, falling in Dec '08 from their 2008 plateau of US\$165/mtu, to the current ~US\$150/mtu – a decline of 9%.

Tungsten: elemental facts

Tungsten is useful due to its high density, hardness and tensile strength.

Tungsten is a silvery white metal. It is the hardest metal, and has a high density (19.25g/cc; slightly less than gold, 19.3g/cc), melting point and tensile strength. It is a scarce element, with an abundance in the earth's crust of ~1.25 parts per million (ppm), compared with 94ppm for zinc, 90ppm for nickel, 63ppm for copper and 12ppm for lead. Tungsten is mined from or adjacent to igneous rocks (e.g. in skarns). It has two economically important minerals: wolframite ((Fe,Mn)WO₄) and scheelite (CaWO₄).

Recent industry developments

China continues to protect its tungsten assets, by ceasing to issue new exploration licences for the metal ...

... while individual producers protect suppliers and smelters by stockpiling ...

... reflecting similar efforts by local Chinese authorities and the Chinese State Reserves Bureau.

Low equity and asset prices have prompted some corporate activity, including MLM's takeover of QOL ...

... and MLX's move into tungsten via VLM and AAM ...

... while Sandvik has secured supply by acquiring Wolfram Bergbau.

HAZ's A\$3m share placement is a vote of confidence in the outlook for W.

In terms of W prices, the Chinese domestic market is depressed but may be stabilising.

- **China** announced in May 2009, as part of its ongoing plans to support metal prices and producers, that it will **stop issuing exploring licences for tungsten**, rare earths and antimony until 30 June, 2010. China views tungsten as a highly strategic commodity. In 2007, it introduced a 15% export tax and 14,900t export quota (subsequently reduced by 2% and then raised by 2.6%) and forbids foreign investment in the metal.
- In April 2009, major Chinese metal producer **Hunan Nonferrous Metals Corp** announced it would spend 1.2 billion yuan (US\$176m) to build up metal reserves. Hunan Nonferrous plans to borrow money to buy lead, zinc, tungsten, antimony and indium to support local smelters, and will sell down stockpiles when prices recover (Xinhua News Agency).
- Similarly, **Ganzhou**, a city in eastern China's Jiangxi Province and the world's largest tungsten making region, is spending 1.8 billion yuan (US\$234m) to buy 10kt each of tungsten and rare earth materials, to support domestic metals firms (Xinhua News Agency). This mirrors the actions of authorities in Hunan, Yunnan and Guangxi, and the State Reserves Bureau, which have said they are **stockpiling metals** including tin, copper, aluminium, zinc and nickel.
- In May 2009, **Metallica Minerals** (ASX:MLM) succeeded in a takeover of **Queensland Ores** (ASX:QOL), after a bidding against fellow QOL major shareholder, Outback Minerals (ASX:OUM). MLM's scrip-only offer valued QOL at A\$2.3m (now ~A\$3.3m), which was a 49% premium to QOL's share price in April '09 when the bid was made. MLM's major shareholder (15.1%) is Shanghai-listed **Jilin HOROC Nonferrous Metal Group Ltd** ("Jilin"), China's second-largest nickel producer.
- In April 2009, **Vital Metals** (ASX:VLM) received an A\$0.95m boost (share placement and convertible note) for its Watershed project (69kt WO₃; QLD) from **Aragon Resources** (ASX:AAG), which is in turn 49% owned by Australia's largest tin producer, **Metals X** (ASX:MLX).
- In February 2009, **Sandvik Tooling** agreed to acquire **Wolfram Bergbau- und Hutten-GmbH Nfg. KG** (WBH), an Austrian tungsten miner and supplier of tungsten products. The acquisition is expected to be completed in 2Q09. The deal would secure WBH's tungsten carbide production technology and material supply for Sandvik.
- May 2009: Mining junior **Hazelwood Resources** (ASX:HAZ) has raised \$3m in capital so it can complete a pre-feasibility study at the Big Hill Tungsten project (WA). HAZ says Big Hill could produce 220,000mtu of WO₃, or ~3% of global tungsten supply for the life of mine.
- Domestic Chinese **prices** for all forms of tungsten - APT, carbide, ferrotungsten and concentrates - slid in May 2009 in a slow market. However, concentrate prices stabilised in late May at US\$128-135/mtu (wolframite) as miners refused further price drops. Local commentators predict a slow recovery in 2H09 (Source: Metal Pages).

Report Contributors

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Tony Parry: Tony has extensive experience in metallurgical process development, (working with MIM Limited for five years) and in mining equity research, equity sales and mining corporate finance (working in London for five years and subsequently Perth). He was a founding Director and CEO of an ASX listed exploration company and has been engaged extensively as a strategic planning consultant to many small-medium enterprises. Tony's qualifications include a BSc (Hons) in Metallurgy and a PhD in Metallurgy from the University of NSW.

John Wilson: John has a background in mining, finance and equity research. He worked on Wall Street for 6 years and has covered US, Australian and Latin American mining stocks. He has also worked with BHP in their minerals division. Qualifications include an MBA from the Wharton School of the University of Pennsylvania and a Bachelor of Engineering from the University of Sydney.

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